

STATE OF MINNESOTA

Journal of the Senate

EIGHTY-THIRD LEGISLATURE

NINETY-EIGHTH DAY

St. Paul, Minnesota, Wednesday, April 28, 2004

The Senate met at 9:30 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. Sandra K. Johnson.

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

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

The President declared a quorum present.

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

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

April 26, 2004

The Honorable James P. Metzen
President of the Senate

Dear President Metzen:

On behalf of the people of Minnesota, I am honored to inform you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. No. 2609.

Sincerely,
Tim Pawlenty, Governor

April 26, 2004

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 2004 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 2004	Date Filed 2004
	1983	162	3:30 p.m. April 26	April 26
	995	163	3:00 p.m. April 26	April 26
	1944	164	3:05 p.m. April 26	April 26
	2906	165	3:10 p.m. April 26	April 26
2609		166	2:50 p.m. April 26	April 26

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. 2009 and 2300.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 26, 2004

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 1392, 2017, 2446 and 2386.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 26, 2004

FIRST READING OF HOUSE BILLS

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

H.F. No. 1392: A bill for an act relating to cities; allowing the charter to prohibit members of the governing body of the city from serving on the charter commission; amending Minnesota Statutes 2002, section 410.05, subdivision 1.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1334, now on General Orders.

H.F. No. 2017: A bill for an act relating to insurance; regulating the joint underwriting association; modifying coverage; amending Minnesota Statutes 2002, section 62F.04, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1944, now on General Orders.

H.F. No. 2446: A bill for an act relating to state government finance; authorizing principles, criteria, and procedures for consolidating and eliminating certain funds and accounts; requiring reports; making technical and clarifying changes to provisions related to the budget process; amending Minnesota Statutes 2002, sections 3.23; 3.98, subdivision 3; 15.16, subdivision 5; 16A.102, subdivision 2, by adding a subdivision; 16A.53, subdivision 1, by adding subdivisions; 16A.531, by adding a subdivision; 16A.641, subdivision 2; 16B.24, subdivision 3; 16B.31, subdivision 3; 85A.02, subdivision 5a; 115A.557, subdivision 4; 116O.071, subdivision 3; 116P.08, subdivision 3; 144.701, subdivision 4; 245.90; 270.063, subdivision 1; 270.71; Minnesota Statutes 2003 Supplement, sections 16A.102, subdivision 1; 84.026; 116J.966, subdivision 1.

Referred to the Committee on Finance.

H.F. No. 2386: A bill for an act relating to state government; merging the Department of Economic Security and the Department of Employment and Economic Development; making corresponding technical and housekeeping changes; amending Minnesota Statutes 2002, sections 3.922, subdivision 10; 15.0591, subdivision 2; 116J.01, subdivisions 4, 5; 116J.035, subdivision 2; 116J.551; 116J.64, subdivisions 4, 5, 7, 8, 9, by adding a subdivision; 119A.46, subdivision 8; 144.9503, subdivision 1; 171.321, subdivision 2; 181.73, subdivision 1; 216C.10; 242.39, subdivision 3; 246.56, subdivision 1; 256J.08, subdivision 52; 268.001; 268.0111, subdivision 4; 268.0122, subdivision 1; 268.29; 268.66, as amended; 268.665, as amended; 268.976, subdivision 2; 268A.01, subdivision 5; Minnesota Statutes 2003 Supplement, sections 15.01; 15.057; 15.06, subdivision 1; 15A.0815, subdivision 2; 16C.05, subdivision 3; 116J.011; 116J.401; 116J.64, subdivision 6; 116J.966, subdivision 1; 116J.980, subdivision 1; 116J.994, subdivisions 9, 10; 116M.15, subdivision 1; 248.07, subdivision 8; 256.482, subdivision 1; 256C.233, subdivision 1; 268.014; 268.022, subdivision 1; 268.363; 462A.04, subdivisions 1, 4; proposing coding for new law in Minnesota Statutes, chapters 116J; 268A; repealing Minnesota Statutes 2002, sections 116J.036; 116J.414; 268.0111, subdivisions 1, 2, 3a, 4a; 268.0121, subdivisions 1, 2; 268.0122, subdivisions 2, 5, 6; 268.027; 268.028; 268.26, subdivisions 2, 3; 268.361, subdivision 3; 268.3661; 268.551; 268.552; 268.56, subdivision 2; 268.561, subdivision 10; 268.61, subdivision 2; 268.65, subdivisions 1, 3, 4, 5; 268.666, subdivision 5; 268.89; 268.918; 268.95, subdivisions 1, 2, 3, 5; Minnesota Statutes 2003 Supplement, sections 268.0122, subdivision 3; 268.029; 268.26, subdivision 1; 268.65, subdivision 2; 268.95, subdivision 4; 268.976, subdivision 1; Laws 2001, chapter 175, section 49; Minnesota Rules, parts 3300.0050; 3301.0180; 3301.0190; 3301.0200; 3301.0210; 3301.0220; 3301.0230; 3310.2903; 3310.2904; 3310.2905, subpart 1; 3310.2906; 3310.2907; 3310.2909; 3310.2918; 3315.0100; 3315.0202; 3315.0501, subparts 3, 4, 5; 3315.0510; 3315.0530, subpart 1; 3315.0535; 3315.0545; 3315.0555, subpart 5; 3315.0915; 3315.0920; 3315.1005, subpart 2; 3315.1015; 3315.1301, subparts 3, 6; 3315.1305; 3315.1310; 3315.1650, subpart 1; 3315.2410; 3315.2610; 3315.2750; 3315.2810, subparts 1, 3; 3315.3220, subpart 4; 3320.0010; 3320.0020; 3320.0030; 7380.0200; 7380.0210; 7380.0220; 7380.0230; 7380.0240; 7380.0500; 7380.0510; 7380.0520; 7380.0530; 7380.0540; 7380.0550; 7380.0560; 7380.0570; 7380.0580; 7380.0581; 7380.0582; 7380.0600; 7380.0610; 7380.0620; 7380.0630; 7380.0640; 7380.0650; 7380.0800; 7380.0810; 7380.0820; 7380.0830; 7380.0840.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2350.

REPORTS OF COMMITTEES

Senator Rest moved that the Committee Reports at the Desk be now adopted, with the exception of the report pertaining to the appointment. The motion prevailed.

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

S.F. No. 2302: A bill for an act relating to taxation; authorizing housing and redevelopment authorities to pledge the full faith and credit of a governmental unit to bonds issued to finance

certain housing development projects; amending Minnesota Statutes 2002, section 469.034, subdivision 2.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1
INCOME TAX

Section 1. Minnesota Statutes 2003 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ November 11, 2003.

[EFFECTIVE DATE.] This section is effective for actions required on or after November 11, 2003.

Sec. 2. Minnesota Statutes 2002, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY; INDIVIDUALS.] (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; and

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the amount of the individual's gross income that consists of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 289A.38, subdivision 13, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 3. Minnesota Statutes 2002, section 289A.39, subdivision 1, is amended to read:

Subdivision 1. [EXTENSIONS FOR SERVICE MEMBERS.] (a) The limitations of time provided by this chapter, chapter 290 relating to income taxes, chapter 271 relating to the Tax Court for filing returns, paying taxes, claiming refunds, commencing action thereon, appealing to the Tax Court from orders relating to income taxes, and the filing of petitions under chapter 278 that would otherwise be due ~~May 15, 1996~~ May 1, 2004, and appealing to the Supreme Court from decisions of the Tax Court relating to income taxes are extended, as provided in section 7508 of the Internal Revenue Code.

(b) If a member of the National Guard or reserves is called to active duty in the armed forces,

the limitations of time provided by this chapter and chapters 290 and 290A relating to income taxes and claims for property tax refunds are extended by the following period of time:

- (1) in the case of an individual whose active service is in the United States, six months; or
- (2) in the case of an individual whose active service includes service abroad, the period of initial service plus six months.

Nothing in this paragraph reduces the time within which an act is required or permitted under paragraph (a).

(c) If an individual entitled to the benefit of paragraph (a) files a return during the period disregarded under paragraph (a), interest must be paid on an overpayment or refundable credit from the due date of the return, notwithstanding section 289A.56, subdivision 2.

(d) The provisions of this subdivision apply to the spouse of an individual entitled to the benefits of this subdivision with respect to a joint return filed by the spouses.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2002, and for property taxes payable after 2003.

Sec. 4. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is either:

~~(1) on active duty stationed outside of Minnesota while in the armed forces of the United States or the United Nations; or~~

~~(2) a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.~~

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

- (1) the individual or the spouse of the individual is in the armed forces of the United States; or
- (2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the

Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

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

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

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

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

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

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

The 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 104-188, the provisions of Public Law 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 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law 105-206, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law 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 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 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law 106-554, and the provision of section 101 of the Military Family Tax Relief Act of 2003, Public Law 108-121, 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 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations

Act, 1999, Public Law 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law 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 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law 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 106-519, and the provision of section 412 of the Job Creation and Worker Assistance Act of 2002, Public Law 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 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, and provisions of sections 101 and 402 of the Job Creation and Worker Assistance Act of 2002, Public Law 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 107-16, the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, and the provisions of sections 201, 403, 413, and 606 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, and the provision of section 102 of the Military Family Tax Relief Act of 2003, Public Law 108-121, 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 107-134, shall become effective at the same time it becomes effective for federal purposes.

The Internal Revenue Code of 1986, as amended through June 15, 2003, shall be in effect for taxable years beginning after December 31, 2002. The provisions of section 201 of the Jobs and Growth Tax Relief and Reconciliation Act of 2003, ~~H.R. 2, if it is enacted into law~~ Public Law 108-27, and the provisions of sections 103, 106, 108, 109, and 110 of the Military Family Tax Relief Act of 2003, Public Law 108-121, are effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through November 11, 2003, shall be in effect for taxable years beginning after December 31, 2003.

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. 6. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or

governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10;

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

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) the amount of mortgage interest paid on a residential home with a market value greater than \$500,000 as determined under section 273.11, that exceeds \$25,000 to the extent deducted from federal taxable income; and

(9) the amount of expenses disallowed under section 290.10, subdivision 2.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others, less the 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 363A. 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 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;

(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;

(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;

(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;

(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; and

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

(12) to the extent included in federal taxable income, an amount, not to exceed \$10,000, equal to an individual's unreimbursed expenses for travel, lodging, and lost wages net of sick pay related to the individual's donation of one or more of the individual's organs to another person for human organ transplantation. For purposes of determining the extent to which expenses are included in federal taxable income, expenses qualifying under this paragraph are the first expenses considered in determining the medical expense deduction allowed under section 213 of the Internal Revenue Code. For purposes of this clause "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow, and "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation, during the taxable year in which the expenses or lost wages occur;

(13) the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3; and

(14) the amount of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

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

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

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

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

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

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

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

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

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

(10) 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, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(12) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;

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

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase 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 107-147; ~~and~~

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed; and

(17) the amount of expenses disallowed under section 290.10, subdivision 2.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 9. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ December 31, 2003.

[EFFECTIVE DATE.] This section is effective the day following final enactment except the changes incorporated by federal changes are effective at the same times as the changes were effective for federal purposes.

Sec. 10. Minnesota Statutes 2002, section 290.05, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT ENTITIES.] The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such

person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and other ores the mining or production of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; ~~and~~

(c) any insurance company; and

(d) a corporation engaged in the business of operating a personal rapid transit system, as defined in section 297A.61, subdivision 37, in this state, independent of any government subsidies, but if the corporation engages in any other business or activity or has income from any property not used in the business of operating a personal rapid transit system, it is subject to this tax computed on the net income from the property or business or activity.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2008.

Sec. 11. Minnesota Statutes 2003 Supplement, 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~~ 8.0 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~~ 8.0 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~~ 8.0 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 subtraction under section 290.01, subdivision 19b, clause (11), and 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, clauses (1) and (11).

[EFFECTIVE DATE.] This section is effective only if sections 16 and 17 of this article are enacted for taxable years beginning after December 31, 2004.

Sec. 12. Minnesota Statutes 2002, section 290.06, subdivision 28, is amended to read:

Subd. 28. **[CREDIT REFUNDS FOR TRANSIT PASSES.]** ~~A taxpayer~~ (a) An employer may take a credit against the tax due under this chapter claim a refund equal to 30 percent of the expense incurred by the taxpayer employer to provide transit passes, for use in Minnesota, to employees of the taxpayer.

(b) As used in this subdivision, the following terms have the meanings given:

(1) "employer" means an individual or entity subject to tax under this chapter or an entity that is exempt from taxation under section 290.05, but excluding entities enumerated in section 290.05, subdivision 1, paragraph (b); and

(2) "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code.

(c) If the taxpayer employer purchases the transit passes from the transit system operator, and resells them to the employees, the credit refund is based on the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

(d) The commissioner shall prescribe the forms for and the manner in which the refund may be claimed. The commissioner must provide for paying refunds at least quarterly. The commissioner may set a minimum amount of qualifying expenses that must be incurred before a refund may be claimed.

(e) An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner of revenue.

[EFFECTIVE DATE.] This section is effective for transit passes purchased after December 31, 2004.

Sec. 13. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 32. **[REGIONAL INVESTMENT CREDIT.]** (a) A credit is allowed against the tax

imposed by this chapter for investment in a qualifying regional angel investment network fund. The credit equals 25 percent of the taxpayer's investment made in the fund for the taxable year, but not to exceed the lesser of:

- (1) the liability for tax under this chapter; or
- (2) the amount of the certificate under paragraph (c) provided to the taxpayer by the fund.

(b) For purposes of this subdivision, a regional angel investment network fund means a pool investment fund that:

(1) is organized as a limited liability company and consists of members who are accredited investors within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a); and

(2) primarily makes equity investments in emerging and expanding small businesses as defined by the Small Business Administration, or cooperative associations as defined in chapter 308B, that are located in local communities in Minnesota outside of the metropolitan area as defined in section 473.121, subdivision 2, and does not make investments in residential real estate.

(c) Regional angel investment network funds may apply to the commissioner of employment and economic development for certification as a qualifying regional angel investment network fund. The application must be in the form and made under procedures specified by the commissioner of employment and economic development. The commissioner of employment and economic development may certify up to ten qualifying funds and provide certificates entitling investors in the funds to credits under this subdivision of up to \$250,000 for each fund. The commissioner of employment and economic development must not issue a total amount of certificates for all funds of more than \$2,500,000. In awarding certificates under this paragraph, the commissioner of employment and economic development shall generally award them to qualified applicants in the order in which the applications are received, but shall also seek to certify funds that are broadly dispersed across the entire state outside of the metropolitan area, as defined in section 473.121, subdivision 2.

(d) The commissioner of revenue may require a taxpayer to provide a copy of the credit certificate under paragraph (c) to verify the taxpayer's entitlement to a credit under this subdivision.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitation under paragraph (a), clause (1), the excess is a credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph may not exceed the taxpayer's liability for tax for the taxable year.

[EFFECTIVE DATE.] This section is effective the day following final enactment, for taxable years beginning after December 31, 2004. It applies to investments made after the fund has been certified by the commissioner of employment and economic development.

Sec. 14. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 33. [CARSHARING CREDIT.] (a) For purposes of this subdivision, a "carsharing organization" means an organization that:

- (1) is described in section 501(c) of the Internal Revenue Code;
- (2) is comprised of members who purchase the use of a motor vehicle from the organization;
- (3) owns or leases a fleet of motor vehicles that are available to members of the organization to pay for the use of a vehicle on an hourly or per trip basis; and
- (4) does not assign exclusive rights of use of specific vehicles to individual members or allow individual members to keep a vehicle in the member's sole possession.

(b) A taxpayer may take a credit against the tax due under this chapter for the expenses incurred by the taxpayer to purchase a membership and pay monthly dues to a carsharing organization or to provide memberships and pay monthly dues to a carsharing organization to employees of the taxpayer. The amount of the credit is equal to the lesser of the actual cost of the membership fee and the monthly dues, or \$390. If an employer purchases the membership or pays the monthly dues to the nonprofit carsharing organization and resells the membership to its employees or charges the monthly dues to its employees, the credit allowed to the employer is the amount of the difference between the amount paid by the employer and the amount charged to the employee.

(c) A taxpayer who owns a parking facility that charges customers an amount to park vehicles at the facility and provides dedicated parking space at no charge to a nonprofit carsharing organization to park the motor vehicles that are used by the members of the organization on an hourly or per trip basis, may take a credit against the tax due under this chapter for the value of the dedicated parking space provided to the nonprofit carsharing organization. The value of the dedicated parking space is equal to the lowest amount charged to customers who pay to park at the facility calculated on an hourly, daily, or other long-term rate that results in the lowest total cost.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 15. Minnesota Statutes 2002, section 290.0674, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] (a) For claimants with income not greater than \$33,500, the maximum credit allowed is \$1,000 ~~per~~ multiplied by the number of claimant's qualifying ~~child~~ and \$2,000 ~~per family~~ children in grades kindergarten through grade 12. No credit is allowed for education-related expenses for claimants with income greater than \$37,500. The maximum credit per ~~child claimant~~ is reduced by \$1 for each \$4 of household income over \$33,500, ~~and the maximum credit per family is reduced by \$2 for each \$4 of household income over \$33,500,~~ but in no case is the credit less than zero.

For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 16. Minnesota Statutes 2003 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

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

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

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code ~~to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;~~

(ii) the medical expense deduction;

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

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

(v) the amount of the exemption allowed the taxpayer under section 151(c) of the Internal Revenue Code;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

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

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

(6) the amount of addition required by section 290.01, subdivision 19a, clause (7);

less the sum of the amounts determined under the following:

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

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

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

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (10) ~~and (11)~~ to (12).

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

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

(c) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

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

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

[EFFECTIVE DATE.] This section is effective only if sections 11 and 17 of this article are enacted for taxable years beginning after December 31, 2004.

Sec. 17. Minnesota Statutes 2002, section 290.091, subdivision 3, is amended to read:

Subd. 3. **[EXEMPTION AMOUNT.]** (a) For purposes of computing the alternative minimum tax, the exemption amount is ~~the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out~~

under section 55(d)(3) \$66,300 for married individuals filing joint returns; and \$33,150 for married individuals filing separate returns, single individuals, and head of household filers.

(b) The exemption amount determined under this subdivision is reduced by an amount equal to 25 percent of the amount by which the alternative minimum income exceeds \$248,600 for married individuals filing joint returns; and \$124,300 for married individuals filing separate returns, single individuals, and head of household filers.

(c) For taxable years beginning after December 31, 2005, the exemption amounts under paragraph (a), and the income amounts in paragraph (b), must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2004, and ending August 31, 2005, as the base year for adjusting for inflation for the tax year beginning after December 31, 2005. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

[EFFECTIVE DATE.] This section is effective only if sections 11 and 16 of this article are enacted for taxable years beginning after December 31, 2004.

Sec. 18. Minnesota Statutes 2002, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

Subdivision 1. [EXPENSES, INTEREST, AND TAXES.] Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the net income of a taxpayer no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause.

Subd. 2. [FINES, PENALTIES, DAMAGES, AND EXPENSES.] (a) No deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any fine, penalty, damages, or expenses paid to:

(1) the government of the United States, a state, a territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico;

(2) the government of a foreign country; or

(3) a political subdivision of, or corporation or other entity serving as an agency or instrumentality of, any government described in clause (1) or (2).

(b) For purposes of this subdivision, "fine, penalty, damages, or expenses" include, but are not limited to, any amount:

(1) paid pursuant to a conviction or a plea of guilty or nolo contendere for any crime in a criminal proceeding;

(2) paid as a civil penalty imposed by federal, state, or local law, including tax penalties and interest;

(3) paid in settlement of the taxpayer's actual or potential liability for a civil or criminal fine or penalty;

(4) forfeited as collateral posted in connection with a proceeding that could result in imposition of a fine or penalty; or

(5) legal fees and related expenses paid or incurred in the prosecution or civil action arising from a violation of the law imposing the fine or civil penalty, court costs assessed against the taxpayer, or stenographic and printing charges, compensatory damages, punitive damages, or restitution.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 19. Minnesota Statutes 2002, section 290.191, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT FORMULA OF GENERAL APPLICATION.] Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 ~~or under subdivision 4~~, a trade or business required to apportion its net income must apportion its income to this state on the basis of the ~~percentage obtained by taking the sum of:~~

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

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

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

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004, only if section 21 of this article is enacted.

Sec. 20. Minnesota Statutes 2002, section 290.191, subdivision 3, is amended to read:

Subd. 3. [APPORTIONMENT FORMULA FOR FINANCIAL INSTITUTIONS.] Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the ~~percentage obtained by taking the sum of:~~

~~(1) 75 percent of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived;~~

~~(2) 12.5 percent of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and~~

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

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004, only if section 21 of this article is enacted.

Sec. 21. Minnesota Statutes 2002, section 290.191, subdivision 5, is amended to read:

Subd. 5. [DETERMINATION OF SALES FACTOR.] For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased;

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; and

(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19(d)(11).

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale. If the taxpayer is not taxable in the state of the delivery and the property is shipped from an office, factory, warehouse, or other place of storage in this state, sales of tangible personal property outside this state are attributed to this state regardless of the terms of shipping, delivery, or other conditions of sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of

the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed. If the taxpayer is not taxable in the state of the purchaser, the sale is attributed to this state if the greater proportion of the service is performed in this state.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003, only if sections 19 and 20 of this article are enacted.

Sec. 22. Minnesota Statutes 2002, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; or

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; or

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code.

(e) For purposes of subdivision 6a, and sections 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 23. Minnesota Statutes 2002, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **[RENT CONSTITUTING PROPERTY TAXES.]** "Rent constituting property taxes" means ~~19~~ 17 percent of the gross rent actually paid in cash, or its equivalent or, the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

If the amount of rent paid by the claimant for actual property taxes paid on the unit exceeds 17 percent of rent paid, the amount of rent constituting property taxes shall be determined by multiplying the gross rent paid by the claimant for the calendar year for the unit by a fraction, the numerator of which is the net tax on the property where the unit is located and the denominator of which is the total scheduled rent. In no case may the rent constituting property taxes exceed 50 percent of the gross rent paid by the claimant during that calendar year.

[EFFECTIVE DATE.] This section is effective for property taxes payable in 2004 and thereafter, and for refund claims based on property taxes payable in 2004 and thereafter.

Sec. 24. Minnesota Statutes 2002, section 290A.03, is amended by adding a subdivision to read:

Subd. 11a. [TOTAL SCHEDULED RENT.] "Total scheduled rent" means the sum of the monthly rents assigned to the residential rental units in the property multiplied by 12. The assigned rents are the rents effective on April 15 for taxes payable in 2004 and thereafter. In determining total scheduled rent, no deduction is allowed for vacant units, uncollected rent, or reduced cash rents in units occupied by employees or agents of the property owner.

[EFFECTIVE DATE.] This section is effective for rent paid on and after January 1, 2004.

Sec. 25. Minnesota Statutes 2003 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ November 11, 2003.

[EFFECTIVE DATE.] This section is effective the day following final enactment except the changes to household income generated by federal changes to federal adjusted gross income are effective at the same time federal changes are effective.

Sec. 26. Minnesota Statutes 2002, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.]

The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. The certificate of rent paid must show the calculation of rent constituting property taxes as provided in section 290A.03, subdivisions 11 and 11a. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request. For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

[EFFECTIVE DATE.] This section is effective for certificates of rent paid furnished for rent paid on and after January 1, 2004.

Sec. 27. Minnesota Statutes 2003 Supplement, section 291.005, subdivision 1, is amended to read:

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

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

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

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in

the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

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

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

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

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

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~December 31, 2002~~ November 11, 2003.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after January 31, 2003.

Sec. 28. [DISTRIBUTION.]

For the fiscal year beginning July 1, 2005, the revenue collected under Minnesota Statutes, section 290.01, subdivision 19a, clause (8), for taxable years beginning after December 31, 2003, and before January 1, 2005, is appropriated to each of the listed agencies in the designated percentages and must be used only for the following programs: (a) Department of Human Services, (1) emergencies service programs under Laws 1997, chapter 162, article 3, five percent; (2) transitional housing operations under Minnesota Statutes, section 119A.43, 25 percent; (3) transitional housing operations targeted to unaccompanied youth under Minnesota Statutes, section 119A.43, five percent; (b) Minnesota Housing Finance Agency, (1) Minnesota housing trust fund, under Minnesota Statutes, section 462A.201, 30 percent; (2) rental housing under Minnesota Statutes, section 462A.2097, ten percent; (3) family homeless prevention and assistance program, under Minnesota Statutes, section 462A.204, 25 percent.

Sec. 29. [STUDY; CORPORATE FRANCHISE TAX.]

The commissioners of the Departments of Finance and Revenue shall conduct a comprehensive study to identify the reasons for the decline in corporate tax receipts. The study shall include an analysis of the current and future effect of existing corporate tax provisions, both independently and interactively with other provisions; how tax provisions are changing business practices; and the impact of outsourcing or relocation of business operations and jobs. On or before February 1, 2005, the commissioners shall report to the chairpersons of the house and senate tax committees the results of the study and shall include recommendations for changes to the tax laws that would reduce tax incentives for businesses to outsource or relocate business operations or jobs.

Sec. 30. [REPEALER.]

Minnesota Statutes 2002, section 290.191, subdivision 4, is repealed.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

ARTICLE 2 SALES TAX

Section 1. Minnesota Statutes 2002, section 297A.61, is amended by adding a subdivision to read:

Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid transit system" means a transportation system of small, computer-controlled vehicles, transporting one to three passengers on elevated guideways in a transportation network operating on demand and nonstop directly to any stations in the network. The system shall provide service on a regular and continuing basis and operate independent of any government subsidies.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2008.

Sec. 2. Minnesota Statutes 2002, section 297A.67, is amended by adding a subdivision to read:

Subd. 32. [GEOTHERMAL EQUIPMENT.] The loop field collection system and the heat pump of a geothermal heating and cooling system is exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases occurring on and after July 1, 2004.

Sec. 3. Minnesota Statutes 2002, section 297A.67, is amended by adding a subdivision to read:

Subd. 33. [BIOMASS FUEL STOVES.] Stoves designed to burn fuel pellets made from biomass materials are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 4. Minnesota Statutes 2003 Supplement, 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 on-line 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;
- (8) ready-mixed concrete 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; and

(9) machinery or equipment used for research, development, design, or production of computer software.

(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.

(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).

(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.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

(11) This subdivision does not apply to telecommunications equipment as provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

[EFFECTIVE DATE.] This section is effective for purchases made after July 31, 2001.

Sec. 5. Minnesota Statutes 2002, section 297A.68, subdivision 19, is amended to read:

Subd. 19. [PETROLEUM PRODUCTS.] The following petroleum products are exempt:

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

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

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

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

(7) products purchased for use as fuel for a commuter rail system operating under sections 174.80 to 174.90. 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.

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2004.

Sec. 6. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 40. [MOVIES AND TELEVISION; INPUTS TO PRODUCTION.] The sale of tangible personal property primarily used or consumed directly in the preproduction, production, and postproduction of movies and television shows that are produced for domestic and international commercial distribution are exempt. "Preproduction" and "production" include all the activities related to the preparation of shooting and the shooting of movies and television shows, including film processing. Equipment rented for preproduction and production activities are exempt. "Postproduction" includes all activities related to editing and finishing of the movie or television show. This exemption does not apply to tangible personal property or services used primarily in administration, general management, or marketing. Machinery and equipment purchased for use in producing movies and television shows, fuel, electricity, gas, or steam used for space heating and lighting, food, lodging, and any property or service for the personal use of any individual are not exempt under this subdivision.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 7. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 41. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery, equipment, and supplies purchased or leased, and used by the purchaser or lessee in this state directly in the provision of a personal rapid transit system as defined in section 297A.61, subdivision 37, are exempt. Machinery, equipment, and supplies that qualify for this exemption include, but are not limited to, the following:

- (1) vehicles, guideways, and related parts used directly in the transit system;
- (2) computers and equipment used primarily for operating, controlling, and regulating the system;
- (3) machinery, equipment, furniture, and fixtures necessary for the functioning of system stations;
- (4) machinery, equipment, implements, tools, and supplies used to maintain vehicles, guideways, and stations; and
- (5) electricity and other fuels used in the provision of the transit service, including heating, cooling, and lighting of system stations.

(b) This exemption does not include machinery, equipment, and supplies used for support and administration operations.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2008.

Sec. 8. Minnesota Statutes 2003 Supplement, 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 a regionwide or statewide public safety radio communication system established under sections 403.21 to 403.34, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption occurring before August 1, 2005, in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on and after July 1, 2004.

Sec. 9. Minnesota Statutes 2002, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. [DONATED MEALS.] Meals that are normally sold at retail in the ordinary business activities of the taxpayer are exempt if the meals are donated to a nonprofit group as defined in subdivision 4 for fund-raising purposes.

[EFFECTIVE DATE.] This section is effective for donations made after June 30, 2004.

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

Subd. 33. [COMMUTER RAIL MATERIAL, SUPPLIES, AND EQUIPMENT.] Materials and supplies consumed in, and equipment incorporated in the construction, equipment, or improvement of a commuter rail transportation system operated under sections 174.80 and 174.90 are exempt. This exemption includes railroad cars and engines and related equipment.

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2004.

Sec. 11. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 34. [WASTE RECOVERY FACILITY.] Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a waste-to-energy resource recovery facility are exempt if the facility uses biomass or mixed municipal solid waste as a primary fuel to generate steam or electricity.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 12. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 35. [PERSONAL RAPID TRANSIT SYSTEM.] Materials and supplies used or consumed in, and equipment incorporated into the construction, expansion, or improvement of a personal rapid transit system as defined in section 297A.61, subdivision 37, are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2008.

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

Subd. 36. [ST. MARY'S DULUTH CLINIC HEALTH SYSTEM.] Materials and supplies used or consumed in, and equipment incorporated into the construction of the hospital portion of the St. Mary's Duluth Clinic Health System are exempt.

[EFFECTIVE DATE.] This section is effective for purchases made on or after July 1, 2004, and on or before December 31, 2006.

Sec. 14. Minnesota Statutes 2002, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. [TAX COLLECTED.] The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) chair lifts, ramps, elevators, and associated building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26; ~~and~~
- (9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23; and
- (10) fuel purchased for commuter rail systems under section 297A.68, subdivision 19, clause (7).

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2004.

Sec. 15. Minnesota Statutes 2002, section 297A.75, subdivision 2, is amended to read:

Subd. 2. [REFUND; ELIGIBLE PERSONS.] Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

- (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
- (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property; and
- (5) for subdivision 1, clause (9), the owner of the qualified low-income housing project; and
- (6) for subdivision 1, clause (10), the operator of the commuter rail system.

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2004.

Sec. 16. Minnesota Statutes 2002, section 297A.87, subdivision 2, is amended to read:

Subd. 2. [SELLER'S PERMIT OR ALTERNATE STATEMENT.] (a) The operator of an event under subdivision 1 shall obtain one of the following from a person who wishes to do business as a seller at the event:

- (1) evidence that the person holds a valid seller's permit under section 297A.84; or
 - (2) a written statement that the person is not offering for sale any item that is taxable under this chapter; or
 - (3) a written statement that this is the only selling event that the person will be participating in for that calendar year, that the person will be participating for three or fewer days, and that the person will make \$500 or less in total sales in the calendar year. The written statement shall include the person's name, address, and telephone number.
- (b) The operator shall require the evidence or statement as a prerequisite to participating in the event as a seller.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 15, 2004.

Sec. 17. Minnesota Statutes 2002, section 297A.87, subdivision 3, is amended to read:

Subd. 3. [OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER LIMITED CIRCUMSTANCES.] The isolated and occasional sale provisions provision under section 297A.67, subdivision 23, or applies, provided that the seller only participates for three or fewer days in one event per calendar year, makes \$500 or less in sales in the calendar year, and provides the written statement required in subdivision 2, paragraph (a), clause (3). The isolated and occasional sales provision under section 297A.68, subdivision 25, ~~do~~ does not apply to a seller at an event under this section.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 15, 2004.

Sec. 18. Minnesota Statutes 2003 Supplement, 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 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;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310,

located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase or use after June 30, 2004, and before July 1, 2007, of a motor vehicle by a state agency or political subdivision, provided that the motor vehicle has a fuel efficiency greater than 45 miles per gallon in highway use, and greater than 35 miles per gallon in city use, as certified by the United States Environmental Protection Agency.

[EFFECTIVE DATE.] This section is effective for sales and transfers made after June 30, 2004, and before July 1, 2007.

Sec. 19. Laws 1986, chapter 379, section 1, is amended to read:

Section 1. [CITY OF ST. CLOUD; LIQUOR AND FOOD TAX.]

Subdivision 1. [LIQUOR AND FOOD TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance with subdivision 2. The tax imposed by the city may be not ~~more than one~~ exceed two percent on the gross receipts from all retail on-sales of intoxicating liquor and fermented malt beverages sold at licensed on-sale liquor establishments located within its geographic boundaries, or not more than ~~one~~ two percent on the gross receipts from the retail sale of food and beverages not subject to the liquor tax by a restaurant or place of refreshment located within its geographic boundaries, or both. For purposes of this act, the city shall define the terms "restaurant" and "place of refreshment" by resolution. The governing body of the city may adopt an ordinance establishing a convention center taxing district. The ordinance shall describe with particularity the area within the city to be included in the district. If the city establishes a convention center taxing district, the sales taxes authorized under this subdivision may be imposed only upon the sales occurring at on-sale liquor establishments, restaurants, or other places of refreshment located within the district. The city may impose a tax at a rate that is greater than one percent, not to exceed two percent, only after the approval of the voters of the city at the next general election.

Subd. 2. [USE OF PROCEEDS OF LIQUOR AND FOOD TAX.] The proceeds of any tax imposed under subdivision 1 shall be used by the city to pay all or a portion of the expenses of constructing a convention center facility ~~or~~ and related facilities, and the municipal athletic complex. Authorized expenses include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the construction of a convention center facility ~~or~~ and related facilities, and the municipal athletic complex. For the purposes of this act, "related facilities" means all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of the ~~convention center facilities~~ including, but not limited to, parking, skyways, lighting, and landscaping.

Subd. 3. [EXPIRATION OF TAXING AUTHORITY.] The authority granted by subdivision 1 to the city to impose a liquor and food tax shall expire when the principal and interest on any bonds or other obligations issued to finance construction of a convention center facility ~~or~~ and related facilities, and municipal athletic complex have been paid or at an earlier time as the city shall, by ordinance, determine.

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

Sec. 20. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

Subdivision 1. [ADDITIONAL TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud

may, by ordinance, impose a tax at a rate not to exceed ~~two~~ three percent in addition to the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other than the renting or leasing of it for a continuous period of 30 days or more. The city may impose a tax at a rate that is greater than two percent, not to exceed three percent, only after the approval of the voters of the city at the next general election.

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

Sec. 21. Laws 1991, chapter 291, article 8, section 27, subdivision 4, is amended to read:

Subd. 4. [EXPIRATION OF TAXING AUTHORITY AND EXPENDITURE LIMITATION.] The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire when the principal and interest on any bonds or obligations issued to finance construction of Riverfront 2000 and related facilities have been paid or at an earlier time as the city shall, by ordinance, determine. ~~The total capital, administrative, and operating expenditures payable from bond proceeds and revenues received from the taxes authorized by subdivisions 1 and 2, excluding investment earnings on bond proceeds and revenues, shall not exceed \$25,000,000 for Riverfront 2000 and related facilities.~~

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

Sec. 22. Laws 1991, chapter 291, article 8, section 27, subdivision 5, is amended to read:

Subd. 5. [BONDS.] The city of Mankato may issue general obligation bonds of the city in an aggregate amount not to exceed \$25,000,000 for Riverfront 2000 and related facilities, without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds issued for Riverfront 2000 and related facilities shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by section 475.61 to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

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

Sec. 23. 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 that is less than one percent and proposes increasing the tax rate at a later date up to the full one percent, 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. 24. 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 higher education facilities available for both community and student use, ~~located 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.

Sec. 25. 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.

Sec. 26. 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. 27. 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. 28. 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. 29. 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, 2006.

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

Sec. 30. Laws 2001, First Special Session chapter 5, article 12, section 95, is amended to read:

Sec. 95. [REPEALER.]

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, subdivisions 2 and 16, are repealed effective for sales and purchases occurring after June 30, 2001, except that the repeal of section 297A.61, subdivision 16, paragraph (d), is effective for sales and purchases occurring after July 31, 2001.

~~(b) Minnesota Statutes 2000, sections 297A.62, subdivision 2, and 297A.64, subdivision 1, are repealed effective for sales and purchases made after December 31, 2005.~~

~~(e)~~ (b) Minnesota Statutes 2000, section 297A.71, subdivision 15, is repealed effective for sales and purchases made after June 30, 2002.

~~(d)~~ (c) Minnesota Statutes 2000, section 289A.60, subdivision 15, is repealed effective for liabilities after January 1, 2003.

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

Sec. 31. Laws 2002, chapter 377, article 12, section 16, subdivision 1, is amended to read:

Subdivision 1. [NONPROFIT CORPORATION MAY BE ESTABLISHED.] The city of Thief River Falls may incorporate or authorize the incorporation of a nonprofit corporation to operate a community or regional center in the city. A nonprofit corporation incorporated under this section is exempt from payment of sales and use tax on materials, equipment, and supplies consumed or incorporated into the construction of the community or regional center. The exemption under this section applies to purchases by the nonprofit corporation, a contractor, subcontractor, or builder.

[EFFECTIVE DATE.] This section is effective retroactively for purchases made on and after July 1, 2002.

Sec. 32. [CITY OF ALBERT LEA; 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 Albert Lea may, by ordinance, impose 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.] The proceeds of the tax imposed under this section shall be used to pay for lake improvement projects as detailed in the Shell Rock River watershed plan.

Subd. 3. [REFERENDUM.] If the Albert Lea 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.

Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under this section expire at the earlier of (1) ten 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 \$15,000,000. Any funds remaining after completion of the projects may be placed in the general fund of the city.

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

Sec. 33. [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. 34. [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 an 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.

[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. 35. [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;
- (2) extension of water and sewer lines and other improvements to city infrastructure necessary for construction of a city industrial park; and
- (3) costs associated with the closure of the Cloquet Municipal Landfill.

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 \$7,000,000. 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) 14 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. 36. [CITY OF CLEARWATER.]

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 Clearwater 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 development, acquisition, construction, and improvement of parks, trails, parkland, open space, and land and buildings for a regional community and recreation center. 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 Clearwater may issue without an additional election general obligation bonds of the city in an amount not to exceed \$3,000,000 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 when the Clearwater 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 the projects specified in subdivision 2 and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under 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 Clearwater with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 37. [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. 38. [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.

Sec. 39. [CITY OF PROCTOR; LODGING TAX.]

The city of Proctor may use up to ten percent of the revenues received from the lodging tax imposed by the city under Minnesota Statutes, section 469.190, for preservation of the Caboose and the Baldwin Locomotive, Class M3 Mallet, Number 225, donated to the city by the Duluth, Missabe and Iron Range Railway Company, and the F-101F aircraft, serial number 59-0407, donated to the city by the Department of the Air Force.

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

Sec. 40. [ST. CLOUD AREA CITIES; SALES AND USE TAX AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 3, paragraph (d), and 477A.016, or any other provision of law, ordinance, or city charter, each of the cities of St. Cloud, Sartell, Sauk Rapids, St. Augusta, St. Joseph, and Waite Park may impose by ordinance a sales and use tax at the rate of one-half of one percent for the purposes specified in subdivision 2, pursuant to the approval of the voters of that city at the next general election. The provisions of Minnesota Statutes, section 297A.99, except subdivision 3, paragraph (d), govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] (a) 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, improvement, and securing and paying debt service on bonds or other obligations issued to finance the following regional projects:

- (1) St. Cloud Regional Airport;
- (2) major transportation improvements;
- (3) arts, libraries, and community centers;
- (4) acquisition and improvement of park land and open space; and

(5) St. Cloud Civic Center remodeling and expansion, not to exceed \$20,000,000 from the amount allocated to St. Cloud under subdivision 3, clause (2).

(b) The revenues returned to each city under subdivision 3 may only be used to fund projects that have been approved by voters at the referendum authorizing this tax.

Subd. 3. [ALLOCATION OF SALES AND USE TAX REVENUES TO CITIES.] Revenues collected from the taxes authorized by subdivision 1, after paying the cost of collecting and administering the tax, shall be allocated to cities imposing the tax as follows:

(1) the first \$900,000 of revenues collected annually, indexed annually to the Consumer Price Index, to the city of St. Cloud for expansion of the St. Cloud Civic Center or the construction and relocation of the Great River Regional Library; and

(2) the revenues collected from the taxes imposed under subdivision 1 that exceed the amount needed to meet the obligations under clause (1) in any year shall be returned to the cities pursuant to a joint powers agreement allocating sales tax revenues among the cities.

Subd. 4. [ST. CLOUD BONDING AUTHORIZED.] Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of St. Cloud may issue without an additional election, general obligation bonds of the city not to exceed \$80,000,000 to pay the costs 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. 5. [TERMINATION OF TAX.] The tax imposed in the city of St. Cloud under subdivision 1 expires when the city council determines that sufficient funds have been collected from the tax to retire or redeem the bonds authorized under subdivision 3. The taxes imposed in the cities of Sartell, Sauk Rapids, St. Augusta, St. Joseph, and Waite Park expire when the projects authorized under subdivision 2 have been completed, but no later than 20 years after the date the tax is first imposed. 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 with Minnesota Statutes, section 645.021, subdivision 3, for sales and purchases on and after January 1, 2006.

Sec. 41. [SALES AND USE TAX COMPLIANCE GAP.]

The commissioner must reduce the amount of the compliance gap in the payment of sales and use tax by 25 percent before December 31, 2006; and must reduce the compliance gap in the payment of sales and use tax by an additional 25 percent before December 31, 2008. The commissioner must establish an effective method to allow individuals who purchase taxable products or services and have not paid the tax at the time of the purchase to pay the tax. The commissioner must advise residents of this state how to pay sales and use tax.

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

Sec. 42. [WAITE PARK; LOCAL SALES TAX AUTHORIZED.]

Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or charter, the city of Waite Park may impose a sales and use tax of one-half of one percent pursuant to approval of the city voters at an election held in November 2003.

Revenues from the tax imposed under this section must be used for the purposes listed in Laws 2002, chapter 377, article 11, section 2, subdivision 2, and approved by the voters in the November 2003 referendum. The amount of revenues collected from this tax which may be spent for airport costs under Laws 2002, chapter 377, article 11, section 2, subdivision 2, paragraph (a),

is limited to \$25,000 for each quarter in which the tax is imposed with the remainder returned to the city to be spent on the other allowed uses.

The tax under this section shall be imposed beginning July 1, 2004, and shall expire at the same time as the taxes imposed under Laws 2002, chapter 377, article 11, section 2.

[EFFECTIVE DATE.] This section is effective the day following final enactment, upon compliance of the governing body of the city of Waite Park with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 43. [CITY OF WASECA; 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 Waseca may, by ordinance, impose 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.] The proceeds of the tax imposed under this section must be used to pay for up to \$1,820,000 in costs related to one or more of the following capital projects as described in the referendum in subdivision 3:

- (1) water quality and lake improvements;
- (2) community center improvements;
- (3) an industrial incubator; and
- (4) downtown improvements, including a theatre and blighted property acquisition.

Subd. 3. [REFERENDUM.] If the Waseca 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 specific projects to be funded by the tax must be identified at least 90 days before the referendum is held and included in the question 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.] The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects authorized under subdivision 2 and approved under subdivision 3. The total amount of bonds issued for the projects approved in subdivision 3 may not exceed \$1,820,000 in aggregate. An election to approve the bonds, as required under Minnesota Statutes, section 475.58, is not required.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under this section expire at the earlier of (1) ten years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised is sufficient to finance the capital projects approved under subdivision 3 and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued under subdivision 4. Any funds remaining after completion of the projects 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 Waseca with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 44. [CITY OF WINONA.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] 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 Winona may impose by ordinance a sales and use tax of one-half of one percent for the purposes 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 Winona 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 the taxes authorized by subdivisions 1 and 2 must be dedicated to pay all or part of the capital or administrative costs of transportation projects or transportation improvements located within the city, and to pay the cost of collecting and administering the tax. Authorized expenses include, but are not limited to, acquiring property and paying construction and engineering expenses related to the improvements.

Subd. 4. [TERMINATION OF TAX.] The taxes imposed under subdivisions 1 and 2 expire when the Winona city council determines that sufficient funds have been received from the tax to pay the costs of the transportation projects or improvements to which the tax was dedicated or ten years after imposition of the tax, whichever is earlier. Any funds remaining after completion of the transportation project or transportation improvements may be placed in a capital project fund of the city. The tax 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 compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 45. [DISTRIBUTION.]

For revenues from sales after December 31, 2005, and before January 1, 2007, 95 percent of all revenues, including penalties and interest, derived from the tax imposed under Minnesota Statutes, section 297A.62, subdivision 2, are appropriated to the commissioner of revenue for distribution to counties as provided in this section. For sales after December 31, 2006, the total amount distributed under this section for each year is the same amount that was distributed for sales in 2006. Fifty percent of the revenue must be allocated among all counties on a per capita basis and 50 percent of the revenue must be allocated to the county where the retail sale was made. The commissioner shall determine the county in which a retail sale was made by using zip codes. The commissioner shall distribute the revenue to counties on or before the last day of each calendar quarter. The revenue distributed to counties must be used to reduce property taxes. To qualify for this distribution, a county must certify to the commissioner of revenue that it has increased its funding for chemical dependency treatment programs that tend to reduce the burden of property taxation caused by individuals who are chemically dependent. The amount of the increase must be at least ten percent of the amount to be distributed.

[EFFECTIVE DATE.] This section is effective for sales made after December 31, 2005.

ARTICLE 3

PROPERTY TAXES

Section 1. Minnesota Statutes 2002, section 126C.17, subdivision 6, is amended to read:

Subd. 6. [REFERENDUM EQUALIZATION LEVY.] (a) For fiscal year 2003 and later through 2006, a district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

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

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

Sec. 2. Minnesota Statutes 2002, section 126C.17, is amended by adding a subdivision to read:

Subd. 6a. [LOCAL EFFORT LEVEL.] (a) For fiscal year 2007 and later, a district's local effort level equals the sum of the first tier referendum equalization level and the second tier referendum local effort level.

(b) A district's first tier referendum local effort level equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$476,000.

(c) A district's second tier referendum local effort level equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$270,000.

Sec. 3. Minnesota Statutes 2002, section 126C.17, is amended by adding a subdivision to read:

Subd. 6b. [LOCAL EFFORT REVENUE.] (a) For fiscal years 2007 and later, a school district's local effort revenue is equal to its local effort level for that year.

(b) For referenda authorized under subdivision 9 prior to June 30, 2005, a school district's local effort revenue must be levied against the district's referendum market value according to subdivision 10.

(c) For referenda authorized or renewed under subdivision 9 after June 30, 2005, that have been approved to be levied against referendum market value, the local effort revenue must be levied against the district's referendum market value according to subdivision 10.

(d) For referenda authorized or renewed under subdivision 9 after June 30, 2005, that have been approved to be imposed as a school referendum tax according to section 290.0621, the local effort revenue must be raised as a tax against income liability according to section 290.0621.

Sec. 4. Minnesota Statutes 2003 Supplement, section 126C.17, subdivision 7, is amended to read:

Subd. 7. [REFERENDUM EQUALIZATION AID.] (a) For fiscal years 2004 through 2006, a district's referendum equalization aid equals the difference between its referendum equalization revenue and levy. For fiscal years 2007 and later, a district's referendum equalization aid equals the difference between its referendum equalization revenue and its local effort revenue.

(b) If a district's actual levy for first or second tier referendum equalization revenue in fiscal years 2004 through 2006 is less than its maximum levy limit for that tier, aid shall be proportionately reduced. If a district's actual local effort revenue for first or second tier referendum equalization revenue in fiscal years 2007 and later is less than its maximum local effort revenue limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 18.6 percent of the formula allowance times the district's resident marginal cost pupil units. For fiscal years 2004 through 2006, a district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph. For fiscal years 2007 and later, a district's local effort level is increased by the amount of any reduction in referendum aid under this paragraph.

Sec. 5. Minnesota Statutes 2003 Supplement, section 126C.17, subdivision 9, is amended to read:

Subd. 9. [REFERENDUM REVENUE.] (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board or shall be called by the board upon written petition of qualified voters of the district. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first

becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under paragraph (g), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per resident marginal cost pupil unit, ~~the estimated referendum tax rate as a percentage of referendum market value in the first year it is to be levied, and that the revenue must be used to finance school operations.~~ The ballot may state a schedule, determined by the board, of increased revenue per resident marginal cost pupil unit that differs from year to year over the number of years for which the increased revenue is authorized. ~~If the ballot contains a schedule showing different amounts, it must also indicate the estimated referendum tax rate as a percent of referendum market value for the amount specified for the first year and for the maximum amount specified in the schedule.~~ The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per resident marginal cost pupil unit" as "per pupil unit." The ballot may state that existing referendum levy taxing authority is expiring. In this case, if the referendum authority is based on a property tax levy, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The notice required under section 275.60 may be modified to read, in cases of renewing existing levies:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR A PROPERTY TAX INCREASE."

If the referendum is on a proposed income tax under section 290.0621, the notice must read:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR AN INCOME TAX INCREASE."

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

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

If approved, an amount equal to the approved revenue per resident marginal cost pupil unit times the resident marginal cost pupil units for the school year beginning in the year after the levy is certified or the income tax is imposed shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum. A referendum may be conducted on the question of converting an existing referendum property tax levy to a school referendum income tax to be imposed under section 290.0621.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision for a referendum based on a property tax levy, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice for a referendum based on a property tax levy must project the anticipated amount of tax increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district. For the purpose of giving mailed notice under this subdivision, for a referendum based on an income tax under section 290.0621, taxpayers must be those shown to be domiciled in the school district as indicated on the space which must be provided for this information on the Minnesota individual income tax form for the taxable year ending before the calendar year when the referendum is conducted. Every individual whose domicile is in the school district whose name does not appear on the income tax return as having a domicile in the district is

deemed to have waived this mailed notice unless the individual has requested in writing that the county auditor or county treasurer, as the case may be, include the individual's name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars and annual percentage for typical family incomes within the school district.

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

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum may result in an increase in your property taxes."

The notice for a referendum based on income tax may state that an existing income tax referendum authority is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars and annual percentage for typical family incomes within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your personal income taxes." However, in cases of renewing existing income tax referendum authorities, the notice may include the following statement: "Passage of this referendum may result in an increase in your personal income taxes."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board and shall be called by the board upon the written petition of qualified voters of the district. A referendum to revoke or reduce the revenue amount must state the amount per resident marginal cost pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) A petition authorized by paragraph (a) or (c) is effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the district on the day the petition is filed with the board. A referendum invoked by petition must be held on the date specified in paragraph (a).

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

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

[EFFECTIVE DATE.] This section is effective for referenda conducted on or after July 1, 2004.

Sec. 6. Minnesota Statutes 2002, section 272.02, subdivision 22, is amended to read:

Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] All real and personal property of a wind energy conversion system as defined in section 272.029, subdivision 2, is exempt from property tax except that the land on which the property is located remains taxable. If approved by the county where the property is located, the value of the land on which the wind energy conversion system is located shall not be increased or decreased, but shall be valued in the same manner as similar land that has not been improved with a wind energy conversion system. The land shall be classified based on the most probable use of the property if it were not improved with a wind energy conversion system.

[EFFECTIVE DATE.] This section is effective for assessment year 2004 and thereafter, for taxes payable in 2005 and thereafter.

Sec. 7. Minnesota Statutes 2003 Supplement, 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, 2003, and before December 31, 2003 ~~2004~~. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2004, payable in 2005, and thereafter.

Sec. 8. Minnesota Statutes 2003 Supplement, section 272.02, subdivision 56, is amended 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 ~~550~~ 300 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;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and
- (5) 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, except that property eligible for this exemption includes any expansion of the facility that also meets the requirements of paragraph (a), clauses (1) to (5), without regard to the date that construction of the expansion commences. 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 2005, payable in 2006, and thereafter.

Sec. 9. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 290

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 five miles of an existing electrical transmission substation;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2;
- (5) be designed to provide peaking capacity energy and ancillary services and have satisfied all of the requirements under section 216B.243; and
- (6) have received, by resolution, the approval from the governing body of the county, city, and school district in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2005, 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2006, taxes payable in 2007, and thereafter.

Sec. 10. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle, combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of the construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned by a public utility as defined in section 216B.02, subdivision 4, and be located at or interconnected with an existing generating plant of the utility;
- (3) be designed to provide peaking, emergency backup, or contingency services;
- (4) satisfy a resource need identified in an approved integrated resource plan filed under section 216B.2422; and
- (5) have received, by resolution, the approval from the governing body of the county and the city for the exemption of personal property under this subdivision.

Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. 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 beginning with assessment year 2005, for taxes payable in 2006, and thereafter.

Sec. 11. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity and 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) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- (3) have received the certificate of need under section 216B.243;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2;
and
- (5) be designed to be a combined-cycle facility, although initially the facility will be operated as a simple-cycle combustion turbine.

(b) To qualify under this subdivision, an agreement must be negotiated between the municipal power agency and the host city, for a payment in lieu of property taxes to the host city.

(c) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. 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. 12. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.]

(a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is a part of an electric generation facility, including remote boilers that comprise part of the district heating system, generating up to 30 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 a minimum 90 percent waste biomass as a fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within a city of the first class and have its primary location at a former garbage transfer station; and
- (4) be designed to have capability to provide baseload energy and district heating.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2008. 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. 13. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 72. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of either a simple-cycle, combustion-turbine electric generation facility that equals or exceeds 150 megawatts of installed capacity, or a combined-cycle, combustion-turbine electric generation facility that equals or exceeds 225 megawatts of installed capacity, and that in either case 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 in a metropolitan county defined in section 473.121, subdivision 4, that has a population greater than 190,000 and less than 225,000 in the most recent federal decennial census,

within one mile of an existing natural gas pipeline, and within one mile 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, 2005, and before January 1, 2008. 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 2005, payable in 2006, and thereafter.

Sec. 14. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 73. [PERSONAL RAPID TRANSIT SYSTEM.] All property used in the operation and support of a personal rapid transit system as defined in section 297A.61, subdivision 37, that provides service to the public on a regular and continuing basis, is exempt, provided that it is operated independent of any government subsidies.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2005 and subsequent years.

Sec. 15. Minnesota Statutes 2002, section 272.029, subdivision 4, is amended to read:

Subd. 4. [REPORTS.] (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~March 1~~ February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

(b) On or before ~~March 31~~ February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

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

Sec. 16. Minnesota Statutes 2002, section 272.029, subdivision 6, is amended to read:

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to all local taxing jurisdictions in which the wind energy conversion system is located, in the same proportion that each of the taxing jurisdiction's ~~current~~ previous year's net tax capacity based tax rate is to the ~~current~~ previous year's total local net tax capacity based rate.

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

Sec. 17. Minnesota Statutes 2003 Supplement, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of:

(1) all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, ~~or~~ noncommercial seasonal residential recreational, or class 1c resort property; and

(2) property classified as commercial-industrial that has a total market value less than \$500,000, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment except that for class 1c resort property for assessment year 2004, the assessor shall determine the limited market value as provided in subdivision 1b.

~~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 and thereafter, 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 this subdivision and subdivision 1b, "class 1c resort property" includes the portion of the property classified class 1a or 1b homestead, the portion of the property classified 1c, plus any remaining portion of the resort that is classified 4c under section 273.13, subdivision 25, paragraph (d), clause (1).

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.

In the case of commercial-industrial property that qualifies under clause (2) of the first paragraph of this subdivision, for the first assessment year when the total market value of the property exceeds \$500,000, 33 percent of the difference between the current assessment and the preceding assessment must be added to the limited market value. For the next assessment year, 50 percent of the difference between the current assessment and the preceding assessment must be added to the limited market value. In the third assessment year after the total market value of the property initially exceeds \$500,000, this subdivision will no longer apply to the property.

[EFFECTIVE DATE.] This section is effective the day following final enactment for assessment year 2004, and thereafter.

Sec. 18. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 1b. [CLASS 1C RESORTS; 2004 ASSESSMENT ONLY.] For assessment year 2004, the valuation increase on class 1c resort property shall not exceed the greater of (1) 15 percent of the value of its 2002 assessment, or (2) 25 percent of the difference in value between its 2004 assessment and its 2002 assessment. The valuation increase on class 1c resort property for the 2005 and 2006 assessment years shall be determined based upon the schedule contained in subdivision 1a.

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

Sec. 19. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 21. [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 property is located in a county which has authorized valuation exclusions under this subdivision, and 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, including replacement of the individual system with a community or cluster system, between May 1, 2004, and December 31, 2006; and

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

Application must be made to the assessor on a form prescribed by the commissioner of revenue. Property meeting the requirements of this subdivision is 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, after which the amount of the exclusion will be added to the estimated market value of the property. The valuation exclusion terminates 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 first applies 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 first applies for taxes payable in the second following year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2005 and subsequent years.

Sec. 20. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 22. [VALUATION EXCLUSION FOR LEAD HAZARD REDUCTION.] Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or 4bb under section 273.13 may apply for a valuation exclusion for lead hazard reduction, 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 hazard reduction projects and must designate an agency within the city to issue certificates of completion of qualifying projects. For purposes of this subdivision, "lead hazard reduction" has the same meaning as in section 144.9501, subdivision 17.

The property owner must obtain a certificate from the city stating that the project has been completed and stating the cost incurred by the owner in completing the project. Only projects originating after April 30, 2004, 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 commissioner of revenue.

A qualifying property is eligible for a valuation exclusion equal to 50 percent of the actual costs incurred, to a maximum exclusion of \$15,000, for a period of five years, after which the amount of the exclusion will be added to the estimated market value of the property. 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 2005 and subsequent years.

Sec. 21. [273.1115] [AGGREGATE RESOURCE PRESERVATION PROPERTY TAX LAW.]

Subdivision 1. [REQUIREMENTS.] Real estate is entitled to valuation under this section only if all of the following requirements are met:

(1) the property is classified 1a, 1b, 2a, or 2b property under section 273.13, subdivisions 22 and 23;

(2) the property is at least ten contiguous acres, when the application is filed under subdivision 2;

(3) the owner has filed a completed application for deferment as specified in subdivision 2 with the county assessor in the county in which the property is located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts its use as provided in subdivision 2, clause (4).

Subd. 2. [APPLICATION.] Application for valuation deferment under this section must be filed by May 1 of the assessment year. Any application filed and granted continues in effect for subsequent years until the property no longer qualifies, provided that supplemental affidavits under subdivision 6 are timely filed. The application must be filed with the assessor of the county in which the real property is located on such form as may be prescribed by the commissioner of revenue. The application must be executed and acknowledged in the manner required by law to execute and acknowledge a deed and must contain at least the following information and any other information the commissioner deems necessary:

(1) the legal description of the area;

(2) the name and address of owner;

(3) a copy of the affidavit filed under section 273.13, subdivision 23, paragraph (h), in the case of property classified class 2b, clause (5); or in the case of property classified 1a, 1b, 2a, and 2b, clauses (1) to (3), the application must include a similar document with the same information as contained in the affidavit under section 273.13, subdivision 23, paragraph (h); and

(4) a statement of proof from the owner that the land contains a restrictive covenant limiting its use for the property's surface to that which exists on the date of the application and limiting its future use to the preparation and removal of the aggregate commercial deposit under its surface.

To qualify under this clause, the covenant must be binding on the owner or the owner's successor or assignee, and run with the land, except as provided in subdivision 4 allowing for the cancellation of the covenant under certain conditions.

Subd. 3. [DETERMINATION OF VALUE.] Upon timely application by the owner as provided in subdivision 2, notwithstanding sections 272.03, subdivision 8, and 273.11, the value of any qualifying land described in subdivision 2 must be valued as if it were agricultural property, using a per acre valuation equal to the current year's per acre valuation of agricultural land in the county. The assessor shall not consider any additional value resulting from potential alternative and future uses of the property. The buildings located on the land shall be valued by the assessor in the normal manner.

Subd. 4. [CANCELLATION OF COVENANT.] The covenant required under subdivision 2 may be canceled in two ways:

(1) by the owner beginning with the next subsequent assessment year provided that the additional taxes as determined under subdivision 5 are paid by the owner at the time of cancellation; and

(2) by the city or town in which the property is located beginning with the next subsequent assessment year, if the city council or town board:

- (i) changes the conditional use of the property;
- (ii) revokes the mining permit; or
- (iii) changes the zoning to disallow mining.

No additional taxes are imposed on the property under this clause.

Subd. 4a. [COUNTY TERMINATION.] Within two years of the effective date of this section, a county may, following notice and public hearing, terminate application of this section in the county. The termination is effective upon adoption of a resolution of the county board. A termination applies prospectively and does not affect property enrolled under this section prior to the termination date. A county may reauthorize application of this section by a resolution of the county board revoking the termination.

Subd. 5. [ADDITIONAL TAXES.] When real property which has been valued and assessed under this section no longer qualifies, the portion of the land classified under subdivision 1, clause (1), is subject to additional taxes. The additional tax amount is determined by:

(1) computing the difference between (i) the current year's taxes determined in accordance with subdivision 5, and (ii) an amount as determined by the assessor based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate; and

(2) multiplying the amount determined in clause (1) by the number of years the land was in the program under this section, whichever is less.

The current year's estimated market value as determined by the assessor must not exceed the market value that would result if the property was sold in an arms-length transaction and must not be greater than it would have been had the actual bona fide sale price of the property been used in lieu of that market value. The additional taxes must be extended against the property on the tax list for the current year, except that interest or penalties must not be levied on such additional taxes if timely paid.

The additional tax under this subdivision must not be imposed on that portion of the property which has actively been mined and has been removed from the program based upon the supplemental affidavits filed under subdivision 6.

Subd. 6. [SUPPLEMENTAL AFFIDAVITS; MINING ACTIVITY ON LAND.] When any portion of the property begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined shall be (1) valued and classified under section 273.13, subdivision 24, in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under this section. The additional taxes under subdivision 5 must not be imposed on the acres that are actively being mined and have been removed from the program under this section.

Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres. Failure to file the affidavits timely shall result in the property losing its valuation deferral under this section, and additional taxes must be imposed as calculated under subdivision 5.

Subd. 7. [LIEN.] The additional tax imposed by this section is a lien upon the property assessed to the same extent and for the same duration as other taxes imposed upon property within this state and, when collected, must be distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When real property qualifying under subdivision 1 is sold, additional taxes must not be extended against the property if the property continues to qualify under subdivision 1, and the new owner files an application with the assessor for continued deferment within 30 days after the sale.

Subd. 9. [DEFINITIONS.] For purposes of this section, "commercial aggregate deposit" and "actively mined" have the meanings given them in section 273.13, subdivision 23, paragraph (h).

[EFFECTIVE DATE.] This section is effective for taxes levied in 2004, payable in 2005, and thereafter, except that for the 2004 assessment year, the application date under subdivision 4 shall be September 1, 2004, and subdivision 4a is effective the day following final enactment.

Sec. 22. [273.1116] [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, 2004, 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, 2004, 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 2004, payable in 2005, and thereafter. For applications for taxes payable in 2005 only, the application deadline in subdivision 4 is extended to August 1, 2004.

Sec. 23. Minnesota Statutes 2002, section 273.112, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS.] Real estate shall be entitled to valuation and tax deferment under this section only if it is:

- (a) actively and exclusively devoted to golf, skiing, lawn bowling, croquet, polo, or archery or firearms range recreational use or other recreational uses carried on at the establishment;
- (b) five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range;
- (c)(1) operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or
- (2) operated by firms or corporations for the benefit of employees or guests; or
- (3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and
- (d) made available for use in the case of real estate devoted to golf without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership. A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2004, payable in 2005, and thereafter.

Sec. 24. Minnesota Statutes 2003 Supplement, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property 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 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 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 co-owner, 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.

(i) If a single family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as homestead property.

[EFFECTIVE DATE.] This section is effective in assessment year 2004 and thereafter, for taxes payable in 2005, and thereafter.

Sec. 25. Minnesota Statutes 2003 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to and including \$600,000 market value has a net class rate of 0.55 percent of market value. The remaining property over \$600,000 market value has a class rate of one percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport; or (5) land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, clauses (1) to (3). Class 2b property has a net class rate of one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

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

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

The property classification under this section supersedes, for property tax purposes only, any

locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

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

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

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

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

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

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

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

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products; and

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

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3), the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

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

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

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

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

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

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(h) To qualify for classification under paragraph (b), clause (5), the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined;

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

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

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(i) When any portion of the property under this subdivision or section 273.13, subdivision 22, begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under section 273.13, subdivision 24, in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2004, payable in 2005, and thereafter.

Sec. 26. Minnesota Statutes 2003 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. 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 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 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 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 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) postsecondary 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.

Class 4d property has a class rate of 0.55 percent for taxes payable in 2005 and thereafter.

Sec. 27. [273.1321] [VALUATION OF LOW-INCOME RENTAL PROPERTY; CAPITALIZED VALUE OF NET OPERATING INCOME.]

Subdivision 1. [REQUIREMENT.] Low-income rental property classified as class 4(d) under section 273.13, subdivision 25, is entitled to valuation under this section if at least 75 percent of the units in the rental housing property meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under section 8 of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by a federal, state, or local unit of government as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

Subd. 2. [DETERMINATION OF VALUE.] (a) The value of any rental housing property meeting the qualifications of subdivision 1 shall be determined, upon timely application by the owner in the manner provided in subdivision 3, on the basis of the restricted use of the property, notwithstanding sections 272.03, subdivision 8, and 273.11, by capitalizing the net operating income prior to the payment of debt service.

(b) Net operating income prior to payment of debt service must be the amounts shown in a financial statement prepared by an independent certified public accountant or firm. The financial statement must show the revenues, expenses, cash flows, assets, liabilities, and net assets for the property for which an application is made under this section.

(c) The capitalization rate applied to net operating income shall be established jointly by the commissioner and the Housing Finance Agency based on market data and industry standards. The commissioner and the Housing Finance Agency shall jointly establish separate rates based on types of rental housing properties and their locations.

Subd. 3. [APPLICATION.] (a) Application for assessment under this section must be filed by February 28 of the levy year, or at a later date the Housing Finance Agency deems practicable. The application must be filed with the Housing Finance Agency, on a form prescribed by the agency, and must contain the information required by the Housing Finance Agency.

(b) Each application must include:

(1) the property tax identification number;

(2) evidence that the property meets the requirements of subdivision 1; and

(3) a true and correct copy of the financial statement related to the property.

(c) The applicant must pay an application fee to be set by the Housing Finance Agency. The application fee charged by the agency must approximately equal the costs of processing and reviewing the applications. The fee must be deposited in the housing development fund.

Subd. 4. [CERTIFICATION.] By June 1 of each levy year, the Housing Finance Agency must certify to local assessors the valuation, as determined under this section, of rental properties that apply and are qualified for valuation under this section. In making the certification, the Housing Finance Agency may rely on the application and supporting information supplied by the property owner.

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

Sec. 28. Minnesota Statutes 2002, section 273.1384, subdivision 3, is amended to read:

Subd. 3. [CREDIT REIMBURSEMENTS.] (a) The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted by the county auditors under section 275.29.

(b) In the case of class 1a, class 1c, or class 2a homestead property which is located within a city, the county auditor shall determine whether the net tax on each parcel is less than the applicable percentage of its taxable market value provided in this paragraph for the year. For taxes payable in 2006 and 2007, if the net tax on the property is less than 0.7 percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the

credit allowed under subdivision 1 by the amount of the difference. For taxes payable in 2008 and 2009, if the net tax on the property is less than 0.8 percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. For taxes payable in 2010 and 2011, if the net tax on the property is less than 0.9 percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. For taxes payable in 2012 and thereafter, if the net tax on the property is less than one percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. The market value credit reimbursement cannot be less than zero.

(c) Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. If there is no reduction of the reimbursements under paragraph (b), the credits under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393. If there is a reduction under paragraph (b), the reimbursements paid to the city and county must be reduced in proportion to the amount of their levies.

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

Sec. 29. [273.323] **[EFFECTIVE DATE FOR RULES FOR VALUATION OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.]**

Rules adopted by the commissioner that prescribe the method of valuing property of electric and transmission pipeline utilities may not take effect before the end of the regular legislative session in the calendar year following adoption of the rules.

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

Sec. 30. Minnesota Statutes 2003 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **[LEVY AMOUNT.]** (a) 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 on seasonal residential recreational property, the levy base amount is increased each year by multiplying the levy base amount for that class of property 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. For taxes payable in 2005 and subsequent years on commercial-industrial property, the tax is imposed under this subdivision at the rate of the tax imposed under this subdivision for taxes payable in 2002. 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.

(b) Beginning with taxes payable in 2007, and in each year thereafter, the commissioner of finance shall deposit in the education reserve account established in section 45, the increased amount of the state general levy for that year over the state general levy base amount for taxes payable in 2002.

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

- (1) an erroneous report of taxable value by a local official;
- (2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270.11, subdivision 2, for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

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

Sec. 31. Minnesota Statutes 2003 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. **[NOTICE OF PROPOSED PROPERTY TAXES.]** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state 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 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; and
- (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 may 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 and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing

districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

[EFFECTIVE DATE.] This section is effective for notices for property taxes levied in 2004, payable in 2005, and thereafter.

Sec. 32. 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 may 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.

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

Sec. 33. [278.021] [PETITIONS INVOLVING LOW-INCOME RENTAL HOUSING PROPERTY.]

Notwithstanding section 278.02, in the case of real property that meets the definition of qualifying low-income housing rental property established in section 273.126, the petition may include any and all such parcels of real property in which the petitioner has an estate, right, title, interest, or lien, except that all such parcels included in the petition must be located in the same county. Contiguous qualifying low-income rental housing property overlapping county boundaries may be included in the same petition.

Sec. 34. 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 June for taxes payable in 2005 and 2006 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 June for taxes payable in 2005 and 2006 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. 35. 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. 36. 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 2005 and 2006 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 June 15. On June 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 June 31, and four percent on July 1. On class 4c seasonal residential recreational property used for commercial purposes, the penalty is four percent until June 31 and eight percent on July 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. 37. [290.0621] [SCHOOL REFERENDUM TAX.]

Subdivision 1. [IMPOSITION.] In addition to all other taxes imposed by this chapter, a tax is imposed on individuals who are domiciled on the last day of the taxable year within the territory of a school district in which the voters approved an income tax increase at a referendum conducted under section 126C.17, subdivision 9, for that purpose in 2005 or a subsequent year. This tax does not apply to referendums on bond issues. Individuals domiciled in the district on the last day of the taxable year are subject to the tax.

Subd. 2. [RATE.] The commissioner of revenue shall annually determine the rate of the tax imposed under this section as a percentage of the state income tax liability of individuals subject to the tax by each district. The school referendum tax rate is equal to the ratio of (i) the district's local effort revenue under section 126C.17, subdivision 6b, to (ii) the state income tax liability of all individuals domiciled in the district on the last day of the previous taxable year.

Subd. 3. [REVENUE DISTRIBUTION.] Revenue raised in subdivision 1 must be placed in a special account in the general fund. The amount necessary to make payments to school districts under this section is annually appropriated from the general fund to the commissioner of education and must be paid to school districts according to section 127A.45.

Sec. 38. Minnesota Statutes 2002, section 462A.071, subdivision 6, is amended to read:

Subd. 6. [SECTION 8, TAX CREDIT, AND RURAL HOUSING SERVICE UNITS.] (a) The agency may deem units as meeting the requirements of section 273.126 and this section, if the units:

~~(1) are subject to a housing assistance payments contract under section 8 of the United States Housing Act of 1937, as amended;~~

~~(2) are rent and income restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended; or~~

~~(3) are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended meet the requirements provided in section 273.1321, subdivision 1.~~

(b) The agency may certify these deemed units under subdivision 1 based on a simplified application procedure that verifies the unit's qualifications under paragraph (a).

Sec. 39. Minnesota Statutes 2002, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. [UNCOMPENSATED CARE REIMBURSEMENT.] (a) As used in this subdivision, the following terms have the meanings given in this paragraph.

(1) "Uncompensated care" means the sum of (i) 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 and (ii) the amount that had been charged by a facility for rendering care to persons and billed to that person or a third-party payer for which the facility expected but did not receive payment. Uncompensated care does not include contractual writeoffs.

(2) A "qualifying hospital" means a hospital in the area that is:

(i) owned or operated by a local unit of government, or formerly owned by a university or is a private nonprofit hospital that leases its building from the county in which it is located; and

(ii) has a licensed bed capacity greater than 400.

(b) A county that contains a qualifying hospital is eligible for reimbursement of that portion of gross charges for uncompensated care determined by multiplying the hospital's gross charges during the base year by the percentage of uncompensated care provided by the hospital during the base year minus one-half of one percent of those gross charges, dividing the result by two, and adjusting to cost by multiplying that result by the hospital's cost-to-charge ratio during the base year. By July 15, 2005, and each subsequent year, the county shall notify its county auditor, as well as the administrative auditor, of the amount of qualifying uncompensated 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 amount certified under paragraph (b) shall be certified annually by the county auditor to the administrative auditor as an addition to the county's areawide levy under subdivision 5.

(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 uncompensated care, and a common standard for determining eligibility for uncompensated care for all participating hospitals.

[EFFECTIVE DATE.] This section is effective for fiscal disparities contribution and distribution tax capacities for taxes payable in 2006 and 2007 only.

Sec. 40. Minnesota Statutes 2002, section 473F.08, is amended by adding a subdivision to read:

Subd. 3d. [HENNEPIN COUNTY PUBLIC DEFENDER COST REIMBURSEMENT.] (a) Hennepin County is eligible for reimbursement of costs incurred by the county under section 611.26, subdivision 3a, paragraph (c). By July 15, 2005, and each subsequent year, the county shall notify the county auditor and the administrative auditor, of the amount of that cost incurred by the county during the 12-month period ending on June 30 of the current year.

(b) The reimbursement under this subdivision for costs incurred during the 12-month period ending June 30, 2005, is equal to 25 percent of those costs. The reimbursement under this subdivision for costs incurred during the 12-month period ending June 30, 2006, is equal to 50 percent of those costs. The reimbursement under this subdivision for costs incurred during the 12-month period ending June 30, 2007, is equal to 75 percent of those costs. The reimbursement under this subdivision for costs incurred during the 12-month period ending June 30, 2008, and subsequent years, is equal to 100 percent of those costs.

(c) The amount certified under paragraph (b) shall be certified annually by the Hennepin County auditor to the administrative auditor as an addition to the county's areawide levy under subdivision 5.

(d) The administrative auditor shall pay one-half of the reimbursement to the Hennepin County auditor on or before June 15 and the remaining one-half of the reimbursement on or before November 15.

[EFFECTIVE DATE.] This section is effective for fiscal disparities contribution and distribution tax capacities for taxes payable in 2006 and 2007 only.

Sec. 41. Laws 1998, chapter 389, article 3, section 41, is amended to read:

Sec. 41. [SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.]

Notwithstanding Minnesota Statutes, chapter 429, a city may defer the payment of any special assessment levied against a property qualifying under section 38 as determined by the city. Any special assessment, the payment of which has been deferred by the city, must be paid in full or a payment agreement may be approved by the city if the ownership of property is transferred to anyone or any entity. Payment or a payment agreement must be made within 60 days of the transfer of ownership.

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

Sec. 42. Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended by Laws 2002, chapter 377, article 4, section 24, is amended to read:

Subd. 2. [RECAPTURE.] (a) Property or any portion thereof qualifying under section 38 is subject to additional taxes if:

(1) ownership of the property is transferred to anyone other than the spouse or child of the current owner;

(2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract before July 1, 2007, to convey for ownership or public easement rights, (i) a portion of the property to a one or more nonprofit foundation foundations or corporation-operating corporations; and (ii) a portion of the property to one or more local governments; and those entities shall separately or jointly operate the property as an art park providing the services included in section 38, clauses (2) to (5), and may also use some of the property for other public purposes as determined by the local governments; or

(3) the nonprofit foundation or corporation to which a portion of the property was transferred ceases to provide the services included in section 38, clauses (2) to (5), earlier than ten years following the effective date of the conveyance conveyances or of the execution of the contract contracts to convey.

(b) The additional taxes are imposed at the earlier of (1) the year following transfer of ownership to anyone other than the spouse or child of the current owner or a nonprofit foundation or corporation or local government operating the property as an art park and used for other public purposes, or (2) for taxes payable in 2008, or (3) in the event the nonprofit foundation or corporation to which a portion of the property was conveyed ceases to provide the required services within ten years after the conveyance, for taxes payable in the year following the year when it ceased to do so.

The county board, with the approval of the city council, shall determine the amount of the additional taxes due on the portion of property which is no longer utilized as an art park; provided, however, that the additional taxes are equal to must not be greater than the difference between the taxes determined on that portion of the property utilized as an art park under sections 39 and 40 and the amount determined under subdivision 1 for all years that the property qualified under section 38. The additional taxes must be extended against the property on the tax list for the current year; provided, however, that No interest or penalties may be levied on the additional taxes if timely paid amount provided that it is paid within 30 days of the county's notice.

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

Sec. 43. Laws 2003, chapter 127, article 12, section 38, is amended to read:

Sec. 38. ~~[MEMBERS MUST AUTHORITY TO 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 authority is a special taxing district as defined in Minnesota Statutes, section 275.066, clause (13), with the power to adopt and certify a property tax levy to the county auditor. The authority may levy a tax in any year for the benefit of the authority. The tax is, for each member, is a pro rata portion of the total amount of tax requested by the authority based on the taxable market value within a the 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 35 to 41.~~

[EFFECTIVE DATE.] This section is effective for taxes levied in 2004, payable in 2005, and thereafter.

Sec. 44. Laws 2003, First Special Session chapter 21, article 4, section 12, subdivision 11, is amended to read:

Subd. 11. ~~[EFFECTIVE DATE; LOCAL APPROVAL.]~~ This section is effective the day after the governing body of St. Louis county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, provided that the certificate of approval is filed with the secretary of state before January 1, 2006.

~~If effective before September 1, 2003, the first levy is the payable 2004 levy; If effective between September 1, 2003, and before September 1, 2004, the first levy is the payable 2005 levy; if effective after August 31, 2004, and before September 1, 2005, the first levy is the payable 2006 levy; and if effective after August 31, 2005, the first levy is the payable 2007 levy.~~

Sec. 45. ~~[EDUCATION RESERVE ACCOUNT; APPROPRIATION.]~~

~~(a) There is created in the state treasury an education reserve account as a special revenue fund for deposit of appropriations and other receipts as provided by law.~~

~~(b) \$24,655,000 is appropriated from the general fund to the education reserve account in fiscal year 2005. This is a onetime appropriation. Of this amount, the following amounts are appropriated to the commissioner of education in the fiscal years indicated to supplement the general education aid program under Minnesota Statutes, section 126C.13, subdivision 4:~~

- ~~(1) \$5,366,000 in fiscal year 2005;~~
- ~~(2) \$48,000 in fiscal year 2006; and~~
- ~~(3) \$45,000 in fiscal year 2007.~~

~~(c) As provided in Minnesota Statutes, section 275.025, subdivision 1, beginning with taxes payable in 2007, the commissioner of finance shall deposit in the education reserve account the increased amount of the state general levy for that year over the state general levy base amount for taxes payable in 2002.~~

~~(d) Each year, one-half of the annual amount will be deposited in the education reserve account in the state fiscal year corresponding to the first six months of the calendar year, and the other half will be deposited in the state fiscal year corresponding to the last six months of the calendar year. 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.~~

Sec. 46. [STUDY OF POLLUTION CONTROL EXEMPTION.]

The commissioner of revenue must study the application of the property tax exemption provided under Minnesota Statutes, section 272.02, subdivision 10, to personal property used for pollution control as part of an electric generation system. The commissioner must present a recommendation to the legislature by January 15, 2005, that would limit the exemption to property that is directly and exclusively used for pollution control purposes.

Sec. 47. [SUPPLEMENTARY AID.]

(a) If a bill styled as H.F. No. 2028 is enacted at the 2004 legislative session and includes provisions authorizing supplementary levy authority for school districts for deferred maintenance and capital projects, that section is repealed.

(b) For fiscal years 2006, 2007, and 2008 only, each school district is eligible to receive \$12 times the adjusted marginal cost pupil units annually for one or more of the following uses:

(1) outstanding disability access projects;

(2) onetime health- and safety-related projects that are not eligible for health and safety revenue under Minnesota Statutes, section 123B.57;

(3) outstanding construction deficit costs of school facilities shared with the community;

(4) utility and other costs of operating a district-owned community center where the district colocates services with other local units of government, in proportion to the amount of time the district uses the facility;

(5) the district's share of the costs of building noninstructional facilities that will be operated in cooperation with other local units of government;

(6) the cost of leasing school-related storage facilities;

(7) the costs associated with leases of administrative and classroom space shared with other school districts or higher education institutions;

(8) outstanding building lease levy amounts under Minnesota Statutes, section 126C.40, subdivision 1; outstanding unemployment insurance amount under Minnesota Statutes, section 126C.43, subdivision 2; outstanding amount necessary for judgments against the district under Minnesota Statutes, section 126C.43, subdivision 3; and additional costs under the safe schools levy under Minnesota Statutes, section 126C.44;

(9) a school district whose total concentration of free and reduced lunch students increased between fiscal year 2003 and 2004 may utilize the revenue under this section, according to Minnesota Statutes, section 126C.13, subdivision 5;

(10) retired employee health benefits; or

(11) other district deferred maintenance projects or capital projects eligible under Minnesota Statutes, section 126C.10, subdivision 14.

(c) In a form and manner determined by the Department of Education, each district shall submit to the department the aid received under this section for each category in paragraph (a).

(d) For each year in which payments to school districts are made under this section, the Department of Education shall make payments to districts using the estimated adjusted marginal cost pupil unit count contained in the preceding year's February forecast for the corresponding fiscal year.

(e) In fiscal years 2006, 2007, and 2008, if insufficient aid is appropriated to fund the provisions of this section, each school district may levy an amount equal to the amount by which the appropriation is deficient:

(i) for taxes payable in 2006 only, if insufficient aid is provided during the 2005 legislative session for fiscal year 2006, each school district may levy an amount equal to the amount by which the appropriation is deficient and may recognize that revenue for fiscal year 2006;

(ii) for taxes payable in 2007 only, if insufficient aid is provided during the 2005 or 2006 legislative session for fiscal year 2007, each school district may levy an amount equal to the amount by which the appropriation is deficient and may recognize that revenue for fiscal year 2007; and

(iii) for taxes payable in 2008 only, if insufficient aid is provided during the 2007 legislative session for fiscal year 2008, each school district may levy an amount equal to the amount by which the appropriation is deficient and may recognize that revenue for fiscal year 2008.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal years 2006, 2007, and 2008.

Sec. 48. [PRINSBURG; SPECIAL LEVY AUTHORITY.]

Subdivision 1. [BOARD APPROVAL.] Notwithstanding any law to the contrary, the board of Common School District No. 815, Prinsburg, may continue to operate as a common school district provided that:

(1) the district adopts an annual resolution by May 1 of each year declaring that it will be operating for the following school year;

(2) for fiscal years 2006 and later, the district's proposed budget for the following year shows that the district will not return to statutory operating debt under Minnesota Statutes, section 123B.81; and

(3) the district has passed a referendum under subdivision 4 authorizing levy authority for the coming school year.

Subd. 2. [DETERMINATION OF OUTSTANDING OBLIGATIONS.] Prior to exercising the authority to levy under this section, the boards of Common School District No. 815 and Independent School District No. 2180, MACCRAY, must mutually agree to the amount of the outstanding tuition owed by the Prinsburg School District to the MACCRAY School District. If the districts cannot agree to the amount of the tuition owed, the districts may submit all relevant information to the commissioner of education who shall determine the amount of the obligation owed to the MACCRAY School District.

Subd. 3. [STATUTORY OPERATING DEBT.] For taxes payable in 2005, 2006, and 2007, Common School District No. 815, Prinsburg, may levy the amount necessary to eliminate a deficit in the net unappropriated balance in the operating funds of the district, determined as of June 30, 2004, and certified and adjusted by the commissioner. This levy may also include the amount necessary to eliminate the estimated deficit for fiscal year 2005.

Subd. 4. [ANNUAL LEVY AUTHORITY.] (a) Common School District No. 815, Prinsburg, may levy the amount necessary to eliminate any projected deficit in the district's operating budget for the preceding school year, excluding the amounts raised by this subdivision, if the district's voters approve a referendum according to the provisions of this subdivision.

(b) The referendum shall be called by the school board. The ballot must state that the annual levy will be the estimated amount necessary to eliminate the previous year's estimated operating deficit. The ballot must designate the specific number of years, not to exceed five, for which the referendum authorization applies. The ballot shall state substantially the following:

"Shall the increase in the levy proposed by the Board of Prinsburg, Common School District No. 815, be approved?"

If approved, the amount necessary to eliminate the previous year's estimated operating deficit may be authorized for certification for the number of years approved.

(c) The board must follow the notice provisions of Minnesota Statutes, section 126C.17.

(d) This levy is not subject to the property tax recognition shift under Minnesota Statutes, sections 123B.75, subdivision 5, and 127A.441.

Subd. 5. [FISCAL YEAR 2005 ONLY.] Notwithstanding the provisions of this section, for fiscal year 2005 only, Common School District No. 815, Prinsburg, may continue to operate as a common school district upon approval of a referendum under subdivision 4.

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

Sec. 49. [SAUK RIVER WATERSHED DISTRICT.]

Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Sauk River Watershed District may annually levy up to 0.01 percent of taxable market value for its administrative fund.

[EFFECTIVE DATE.] This section is effective, without local approval, beginning with the taxes levied in 2004, payable in 2005.

Sec. 50. [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, 2004. If any municipality makes the election, it must notify the commissioner of revenue of the election and the legislature must enact during the 2005 legislative session the legislation necessary to implement the system for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 51. [STUDY REQUIRED.]

By February 1, 2005, the fiscal staff of the house of representatives and senate shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program, and shall make a report by March 1, 2005 to the chairs of the house and senate tax committees consisting of the findings of the study and any recommendations resulting from the study.

The study shall primarily address the question of whether the program is achieving the purposes for which it was created. Additionally, the study shall address the following questions:

(1) How has the program affected property tax disparities across the Twin Cities metropolitan area?

(2) Is the formula for contributing tax base to the areawide pool reasonable? Should certain commercial-industrial tax base continue to be exempt from contribution to the areawide pool, such as tax base in existence prior to 1979, tax base in tax increment financing districts established before 1979, and tax base located at the Minneapolis-St. Paul International Airport? Should contribution amounts be adjusted for differences in sales ratios between communities?

(3) Is the formula for distributing tax base from the areawide pool reasonable? Should the formula reflect measures of need in addition to population? Should the distribution formula be based on tax capacity rather than market value?

(4) Does the program help promote orderly growth and encourage environmentally sound land use?

(5) Does the program reduce competition for commercial-industrial tax base between communities? Is reduced competition for commercial-industrial tax base desirable?

(6) Do local governments derive sufficient tax revenues from commercial-industrial property to cover the costs of providing services to the property, considering the tax base that must be contributed to the areawide pool?

(7) Could improvements be made in the administration of the program?

[EFFECTIVE DATE.] This section is effective July 1, 2004.

Sec. 52. [TOWNSHIP LEVY ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX; PAYABLE 2004 ONLY.]

Notwithstanding the deadlines in Minnesota Statutes, section 275.07, towns located in Lincoln or Pipestone County are authorized to adjust their payable 2004 levy for all or a portion of their estimated wind energy production tax amounts for 2004, as computed by the commissioner of revenue from reports filed under Minnesota Statutes, section 272.029, subdivision 4. The Lincoln and Pipestone county auditors may adjust the payable 2004 levy certifications under Minnesota Statutes, section 275.07, subdivision 1, based upon the towns that have recertified their levies under this section by March 15, 2004.

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

Sec. 53. [FEE STUDIES.]

Subdivision 1. [STATE AGENCY FEES.] The commissioner of each state agency that imposes any fee on individuals or businesses in this state must report to the commissioner of revenue by January 15, 2005, on the type and amount of fees imposed, amount and type of fee increases since January 1, 2003, the revenues derived from each fee for each of the most recent four fiscal years, and the use of the revenues from the fees. The commissioner of revenue shall compile this information and provide a comprehensive report on all state agency fees to the finance and tax committees of the senate and the appropriations and tax committees of the house of representatives by February 15, 2005.

Subd. 2. [SCHOOL FEES.] By January 15, 2005, the Department of Education shall provide the house and senate education finance divisions and tax committees with a report that examines the total annual fees collected under Minnesota Public School Fee Law, Minnesota Statutes, sections 123B.34 to 123B.39, in fiscal years 2002 to 2004. The report must detail all different types of fees charged to Minnesota students under the law. The report must report total fees statewide as well as by school district and charter school.

ARTICLE 4

AIDS TO LOCAL GOVERNMENTS

Section 1. Minnesota Statutes 2003 Supplement, section 477A.011, subdivision 34, is amended to read:

Subd. 34. [CITY REVENUE NEED.] (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.

(c) The city revenue need cannot be less than zero.

(d) For calendar year 2005 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (c), is multiplied by the ratio of the annual most recently available first quarter implicit price deflator for government consumption expenditures and gross investment for state

and local governments as prepared by the United States Department of Commerce, ~~for the most recently available year to the 2003~~ first quarter 2000 implicit price deflator for state and local government purchases.

Sec. 2. Minnesota Statutes 2003 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

- (i) the city had a population in 1996 of at least 50,000;
- (ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and
- (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(f) ~~Beginning in 2004, the city aid base for a city is equal to the sum of its city aid base in 2003 and the amount of additional aid it was certified to receive under section 477A.06 in 2003. For 2004 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2003.~~

(g) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

- (1) the city has a population that is greater than 1,000 and less than 2,500;
- (2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and
- (3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(h) (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

- (1) the city had a population in 1997 of 2,500 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;
- (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;
- (4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and
- (5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(i) (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

- (1) the city has a population in 1997 of 2,000 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;
- (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and
- (4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(j) (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

- (1) the city has a population in 1998 that is greater than 200 but less than 500;
- (2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;
- (3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

~~(k)~~ (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

~~(k)~~ (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

The city aid base for a city described in this paragraph is also increased by \$250,000 in calendar years 2005 to 2014, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$250,000 in calendar year 2005 only.

~~(l)~~ (l) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census; (ii) minus 5,000; (iii) times 60; or

(2) \$2,500,000.

~~(m)~~ (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

~~(n)~~ (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- (2) its home county is located within the seven-county metropolitan area;
- (3) its pre-1940 housing percentage is less than 15 percent; and
- (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

~~(p)~~ (o) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

~~(q)~~ (p) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

~~(r)~~ (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(r) The city aid base for a city is increased by \$25,000 in 2005 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in 2005 only, if the city (1) received no aid under section 477A.013 in 2004; (2) had a population in 2002 greater than 20,000 and less than 50,000; and (3) had an adjusted net tax capacity of less than \$750 per capita for aids payable in 2004.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2004.

Sec. 3. Minnesota Statutes 2003 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. [CITY FORMULA AID.] In calendar year 2004 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) ~~the sum of the city's net tax capacity multiplied by the tax effort rate, and the taconite aids under sections 298.28 and 298.282, multiplied by the following percentages:~~

- ~~(i) zero percent for aids payable in 2004;~~
- ~~(ii) 25 percent for aids payable in 2005;~~
- ~~(iii) 50 percent for aids payable in 2006;~~
- ~~(iv) 75 percent for aids payable in 2007; and~~
- ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

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

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5.

Sec. 4. Minnesota Statutes 2003 Supplement, section 477A.013, subdivision 9, is amended to read:

Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year 2002 and thereafter, each city

shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

~~(b) The aid for a city in calendar year 2004 shall not exceed the amount of its aid in calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21, article 5.~~

~~(c) For aids payable in 2005 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from its total aid under this section in the previous year by an amount greater than ten percent of its net levy in the year prior to the aid distribution.~~

~~(d) For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session chapter 21, article 5, or (2) five percent of its 2003 aid amount. (c) For aids payable in 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus five percent of its 2003 certified aid amount.~~

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

Sec. 5. Minnesota Statutes 2003 Supplement, section 477A.03, subdivision 2a, is amended to read:

~~Subd. 2a. [CITIES.] For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are increased to \$437,052,000 \$497,052,000. For aids payable in 2006, the total aids paid under section 477A.013, subdivision 9, are increased to \$503,052,000. For aids payable in 2007 and thereafter, the amount necessary to make the payments provided under section 477A.013, subdivision 9, is appropriated.~~

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

Sec. 6. Minnesota Statutes 2002, section 477A.11, subdivision 4, is amended to read:

Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural resources land" means:

~~(1) any other land presently owned in fee title by the state and administered by the commissioner, or any tax-forfeited land, other than platted lots within a city or those lands described under subdivision 3, clause (2), which is owned by the state and administered by the commissioner or by the county in which it is located; and~~

~~(2) land leased by the state from the United States of America through the United States Secretary of Agriculture pursuant to Title III of the Bankhead Jones Farm Tenant Act, which land is commonly referred to as land utilization project land that is administered by the commissioner.~~

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

Sec. 7. Minnesota Statutes 2002, section 477A.11, is amended by adding a subdivision to read:

~~Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land utilization project land" means land that is leased by the state from the United States through the United States Secretary of Agriculture according to Title III of the Bankhead Jones Farm Tenant Act and that is administered by the commissioner.~~

Sec. 8. Minnesota Statutes 2002, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land;

(3) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) (4) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

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

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

Sec. 9. Minnesota Statutes 2002, section 477A.12, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE.] Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the Department of Natural Resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The Department of Natural Resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land within each county;

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

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

(4) the number of acres of land utilization project land within each county and the net proceeds from timber sales on land utilization project lands in each county.

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

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

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

Sec. 10. Minnesota Statutes 2002, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided in subdivision 2 or in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land, each acre of land utilization project land, and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5 cents, as adjusted for inflation under section 477A.145, for each acre of other natural resources land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

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

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

Sec. 11. Laws 2003, First Special Session chapter 21, article 5, section 13, is amended to read:

Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

The initial aid reduction amount for each city is the amount by which the city's aid distribution under Minnesota Statutes, section 477A.013, and related provisions payable in 2003 exceeds the city's 2004 distribution under those provisions.

The minimum aid reduction amount for a city is the amount of its reduction in 2003 under section 12. If a city receives an increase to its city aid base under Minnesota Statutes, section 477A.011, subdivision 36, its minimum aid reduction is reduced by an equal amount.

The maximum aid reduction amount for a city is an amount equal to 14 percent of the city's total 2004 levy plus aid revenue base, except that if the city has a city net tax capacity for aids payable in 2004, as defined in Minnesota Statutes, section 477A.011, subdivision 20, of \$700 per capita or less, the maximum aid reduction shall not exceed an amount equal to 13 percent of the city's total 2004 levy plus aid revenue base.

If the initial aid reduction amount for a city is less than the minimum aid reduction amount for that city, the final aid reduction amount for the city is the sum of the initial aid reduction amount and the lesser of the amount of the city's payable 2004 reimbursement under Minnesota Statutes, section 273.1384, or the difference between the minimum and initial aid reduction amounts for the city, and the amount of the final aid reduction in excess of the initial aid reduction is deducted from the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.

If the initial aid reduction amount for a city is greater than the maximum aid reduction amount for the city, the city receives an additional distribution under this section equal to the result of subtracting the maximum aid reduction amount from the initial aid reduction amount. This distribution shall be paid in equal installments in 2004 on the dates specified in Minnesota

Statutes, section 477A.015. The amount necessary for these additional distributions is appropriated to the commissioner of revenue from the general fund in fiscal year 2005.

~~The initial aid reduction is applied to the city's distribution pursuant to Minnesota Statutes, section 477A.013, and any aid reduction in excess of the initial aid reduction is applied to the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.~~

To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

ARTICLE 5

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2002, section 116J.993, subdivision 3, is amended to read:

Subd. 3. **[BUSINESS SUBSIDY.]** "Business subsidy" or "subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

- (1) a business subsidy of less than \$25,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- (5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- (6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services, except when such assistance is paid for by expenditures of tax increments under section 469.176, subdivision 4m;
- (7) assistance for housing;
- (8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;
- (9) assistance for energy conservation;
- (10) tax reductions resulting from conformity with federal tax law;
- (11) workers' compensation and unemployment compensation;
- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds,

and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(15) assistance for a collaboration between a Minnesota higher education institution and a business;

(16) assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;

(17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;

(18) general changes in tax increment financing law and other general tax law changes of a principally technical nature;

(19) federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;

(20) funds from dock and wharf bonds issued by a seaway port authority;

(21) business loans and loan guarantees of \$75,000 or less; and

(22) federal loan funds provided through the United States Department of Commerce, Economic Development Administration.

Sec. 2. Minnesota Statutes 2002, section 116J.993, is amended by adding a subdivision to read:

Subd. 8. [RESIDENCE.] "Residence" means the place where an individual has established a permanent home from which the individual has no present intention of moving.

Sec. 3. Minnesota Statutes 2003 Supplement, section 116J.994, subdivision 4, is amended to read:

Subd. 4. [WAGE AND JOB GOALS.] The subsidy agreement, in addition to any other goals, must include: (1) goals for the number of jobs created, which may include separate goals for the number of part-time or full-time jobs, or, in cases where job loss is specific and demonstrable, goals for the number of jobs retained; (2) wage goals for any jobs created or retained; and (3) wage goals for any jobs to be enhanced through increased wages. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero. The goals for the number of jobs to be created or retained must result in job creation or retention by the recipient within the granting jurisdiction overall.

In addition to other specific goal time frames, the wage and job goals must contain specific goals to be attained within two years of the benefit date.

[EFFECTIVE DATE.] This section is effective August 1, 2004, and applies to subsidy agreements entered into on or after that date.

Sec. 4. Minnesota Statutes 2002, section 116J.994, subdivision 5, is amended to read:

Subd. 5. [PUBLIC NOTICE AND HEARING.] (a) Before granting a business subsidy that exceeds \$500,000 for a state government grantor and \$100,000 for a local government grantor, the grantor must provide public notice and a hearing on the subsidy. A public hearing and notice under this subdivision is not required if a hearing and notice on the subsidy is otherwise required by law.

(b) Public notice of a proposed business subsidy under this subdivision by a state government grantor, other than the Iron Range Resources and Rehabilitation Board, must be published in the State Register. Public notice of a proposed business subsidy under this subdivision by a local government grantor or the Iron Range Resources and Rehabilitation Board must be published in a local newspaper of general circulation. The public notice must identify the location at which information about the business subsidy, including a summary of the terms of the subsidy, is

available. Published notice should be sufficiently conspicuous in size and placement to distinguish the notice from the surrounding text. The grantor must make the information available in printed paper copies and, if possible, on the Internet. The government agency must provide at least a ten-day notice for the public hearing.

(c) The public notice must include the date, time, and place of the hearing.

(d) The public hearing by a state government grantor other than the Iron Range Resources and Rehabilitation Board must be held in St. Paul.

(e) If more than one nonstate grantor provides a business subsidy to the same recipient, the nonstate grantors may designate one nonstate grantor to hold a single public hearing regarding the business subsidies provided by all nonstate grantors. For the purposes of this paragraph, "nonstate grantor" includes the iron range resources and rehabilitation board.

(f) The public notice of any public meeting about a business subsidy agreement, including those required by this subdivision and by subdivision 4, must include notice that a person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the grantor if the grantor fails to comply with sections 116J.993 to 116J.995, and that no action may be filed against the grantor for such failure to comply unless a written complaint is filed.

Sec. 5. Minnesota Statutes 2003 Supplement, section 116J.994, subdivision 9, is amended to read:

Subd. 9. [COMPILATION AND SUMMARY REPORT.] The Department of Employment and Economic Development must publish a compilation and summary of the results of the reports for the previous calendar year by August 1 of 2004 and every other year thereafter. The reports of the government agencies to the department and the compilation and summary report of the department must be made available to the public. The commissioner must make copies of all business subsidy reports submitted by local and state granting agencies available on the department's Web site by October 1 of the year in which they were submitted.

The commissioner must coordinate the production of reports so that useful comparisons across time periods and across grantors can be made. The commissioner may add other information to the report as the commissioner deems necessary to evaluate business subsidies. Among the information in the summary and compilation report, the commissioner must include:

- (1) total amount of subsidies awarded in each development region of the state;
- (2) distribution of business subsidy amounts by size of the business subsidy;
- (3) distribution of business subsidy amounts by time category;
- (4) distribution of subsidies by type and by public purpose;
- (5) percent of all business subsidies that reached their goals;
- (6) percent of business subsidies that did not reach their goals by two years from the benefit date;
- (7) total dollar amount of business subsidies that did not meet their goals after two years from the benefit date;
- (8) percent of subsidies that did not meet their goals and that did not receive repayment;
- (9) list of recipients that have failed to meet the terms of a subsidy agreement in the past five years and have not satisfied their repayment obligations;
- (10) number of part-time and full-time jobs within separate bands of wages; and
- (11) benefits paid within separate bands of wages.

Sec. 6. Minnesota Statutes 2002, section 116J.994, is amended by adding a subdivision to read:

Subd. 11. [ENFORCEMENT.] (a) A person with residence in or an owner of taxable property located in the jurisdiction of the grantor may bring an action for equitable relief arising out of the failure of the grantor to comply with sections 116J.993 to 116J.995. The court may award a prevailing party in an action under this subdivision costs and reasonable attorney fees.

(b) Prior to bringing an action, the party must file a written complaint with the grantor stating the alleged violation and proposing a remedy. The grantor has up to 30 days to reply to the complaint in writing and may take action to comply with sections 116J.993 to 116J.995.

(c) The written complaint under this subdivision for failure to comply with subdivisions 1 to 5 of this section, must be filed with the grantor within 180 days after approval of the subsidy agreement under subdivision 3, paragraph (d). An action under this subdivision must be commenced within 30 days following receipt of the grantor's reply, or within 180 days after approval of the subsidy agreement under subdivision 3, paragraph (d), whichever is later.

[EFFECTIVE DATE.] This section is effective August 1, 2004, and applies to subsidy agreements entered into on or after that date.

Sec. 7. Minnesota Statutes 2002, section 161.1231, is amended by adding a subdivision to read:

Subd. 11. [TRANSFER OF OWNERSHIP.] The commissioner shall, at the earliest feasible date after receiving payment, transfer ownership of the parking facilities to the city of Minneapolis. The payment must be equal to the amount of state funds spent by the commissioner for construction of the facilities. Upon assuming ownership of the facilities, the city shall operate the facilities in accordance with the rules adopted by the commissioner under subdivision 2. Upon assumption of ownership, the city shall assume the authority to collect fees for use of the facilities under subdivision 5. The commissioner shall take no action under this section that would result in federal sanctions against Minnesota or require the repayment of any state funds to the federal government. The commissioner shall deposit all money received under this subdivision in the trunk highway fund.

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

Sec. 8. Minnesota Statutes 2002, section 469.034, subdivision 2, is amended to read:

Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors and the maturities may extend to not more than 30 years from the estimated date of completion of the project. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the taxable market value of the general jurisdiction governmental unit whose general obligation which includes a tax on property is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located, ~~and will.~~ The project must be owned for the term of the bonds either by the authority for the term of the bonds or by a limited partnership or other entity in which the authority or another entity under the sole control of the authority is the sole general partner. The partnership or other entity must receive either: (1) an allocation from the Department of Finance or an entitlement issuer of tax-exempt bonding authority for the project and a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for four percent low-income housing tax credits; or (2) a reservation of nine percent low-income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

[EFFECTIVE DATE.] This section is effective for bonds issued after the day following final enactment.

Sec. 9. Minnesota Statutes 2003 Supplement, 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;

(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;

(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;

(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. A building originally constructed for use as a public or private school, 50 percent or more of the square footage of which was constructed 30 or more years before approval of the plan, is deemed to be structurally substandard for purposes of this subdivision, notwithstanding paragraph (c), if the tax increment financing plan provides for demolition or substantial renovation of the building.

(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 (1) satisfy the building code, plus (2) if the tax increment financing plan provides for demolition or substantial renovation of the building, abate or remove asbestos and lead, 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). Failure of a building to be disqualified under the provisions of this paragraph is a necessary, but not a sufficient, condition to determining that the building is substandard.

(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 (f).

(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 was made after June 30, 2004.

Sec. 10. Minnesota Statutes 2002, section 469.174, is amended by adding a subdivision to read:

Subd. 30. [URBAN RENEWAL AREA.] "Urban renewal area" means a contiguous geographic area designated within a project and within which all parcels must be eligible for inclusion in a redevelopment, renewal and renovation, or soils condition district or are currently located within a redevelopment, renewal and renovation, or soils condition district certified within ten years before or after the date of approval of the urban renewal area by the city or county, whichever is later. In determining eligibility for inclusion in a district, each parcel may only be considered as a part of one district.

[EFFECTIVE DATE.] This section is effective for urban renewal areas established on or after the date of final enactment.

Sec. 11. Minnesota Statutes 2003 Supplement, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax increment financing plan shall contain:

- (1) a statement of objectives of an authority for the improvement of a project;
- (2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;
- (3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;
- (4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;
- (5) estimates of the following:
 - (i) cost of the project, including administrative expenses, except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increments from the district;
 - (ii) amount of bonded indebtedness to be incurred;
 - (iii) sources of revenue to finance or otherwise pay public costs;
 - (iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;
 - (v) the estimated captured net tax capacity of the tax increment financing district at completion; and
 - (vi) the duration of the tax increment financing district's and any subdistrict's existence;
- (6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;
- (7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); ~~and~~
- (8) identification of all parcels to be included in the district or any subdistrict; and

(9) identification of any job training costs intended to be paid by use of tax increments, including the name of the employer whose employees will be trained and the nature and cost of the training. The plan is not required to identify the provider of the job training.

[EFFECTIVE DATE.] This section applies to districts for which the request for certification was made after July 31, 1979, and is effective for tax increment financing plans approved after June 30, 2004.

Sec. 12. Minnesota Statutes 2003 Supplement, section 469.175, subdivision 4, is amended to read:

Subd. 4. **[MODIFICATION OF PLAN.]** (a) A tax increment financing plan may be modified by an authority.

(b) The authority may make the following modifications only upon the notice and after the discussion, public hearing, and findings required for approval of the original plan:

(1) any reduction or enlargement of geographic area of the project or tax increment financing district that does not meet the requirements of paragraph (e);

(2) increase in amount of bonded indebtedness to be incurred;

(3) a determination to capitalize interest on the debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized;

(4) increase in the portion of the captured net tax capacity to be retained by the authority;

(5) increase in the estimate of the cost of the project, including administrative expenses, that will be paid or financed with tax increment from the district; or

(6) designation of additional property to be acquired by the authority; or

(7) a decision to pay for job training for employees of a business located in the district that was not a part of the original plan.

(c) If an authority changes the type of district to another type of district, this change is not a modification but requires the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the net tax capacity of the district by the county auditor.

(d) If a redevelopment district or a renewal and renovation district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented.

(e) The requirements of paragraph (b) do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current net tax capacity of the parcels eliminated from the district equals or exceeds the net tax capacity of those parcels in the district's original net tax capacity or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.

(f) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was made after July 31, 1979, and is effective for modifications made after June 30, 2004.

Sec. 13. Minnesota Statutes 2003 Supplement, section 469.175, subdivision 6, is amended to read:

Subd. 6. [ANNUAL FINANCIAL REPORTING.] (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

(1) provide for full disclosure of the sources and uses of public funds in the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county auditor and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

(1) the original net tax capacity of the district and any subdistrict under section 469.177, subdivision 1;

(2) the net tax capacity for the reporting period of the district and any subdistrict;

(3) the captured net tax capacity of the district;

(4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;

(5) the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1);

(6) any captured net tax capacity distributed among affected taxing districts under section 469.177, subdivision 2, paragraph (a), clause (2);

(7) the type of district;

(8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);

(9) the date the authority first requested certification of the original net tax capacity of the district and the date of the request for certification regarding any parcel added to the district;

(10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;

(11) the month and year in which the authority has received or anticipates it will receive the first increment from the district;

(12) the date the district must be decertified;

(13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:

(i) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;

(ii) tax increments that are interest or other investment earnings on or from tax increments;

(iii) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;

(iv) tax increments that are repayments of loans or other advances made by the authority with tax increments;

(v) bond or loan proceeds;

(vi) special assessments;

(vii) grants; and

(viii) transfers from funds not exclusively associated with the district;

(14) for the reporting period and for the prior years of the district, the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority;

(v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; ~~and~~

(vi) transfers to funds not exclusively associated with the district; and

(vii) job training as permitted under section 469.176, subdivision 4m;

(15) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer;

(16) the amount of any payments and the value of any in-kind benefits, such as physical improvements and the use of building space, that are paid or financed with tax increments and are provided to another governmental unit other than the municipality during the reporting period;

(17) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;

(18) the amount of payments of principal and interest that are made during the reporting period on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(19) the principal amount, at the end of the reporting period, of any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(20) the amount of principal and interest payments that are due for the current calendar year on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(21) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the amount of increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution;

(22) whether the tax increment financing plan or other governing document permits increment revenues to be expended:

(i) to pay bonds, the proceeds of which were or may be expended on activities outside of the district;

(ii) for deposit into a common bond fund from which money may be expended on activities located outside of the district; or

(iii) to otherwise finance activities located outside of the tax increment financing district;

(23) the estimate, if any, contained in the tax increment financing plan of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increment; and

(24) any additional information the state auditor may require.

(d) The commissioner of revenue shall prescribe the method of calculating the increased property taxes under paragraph (c), clause (21), and the form of the statement disclosing this information on the annual statement under subdivision 5.

(e) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

[EFFECTIVE DATE.] This section is effective for reports filed in 2005 and thereafter.

Sec. 14. Minnesota Statutes 2003 Supplement, section 469.176, subdivision 1c, is amended to read:

Subd. 1c. [DURATION LIMITS; PRE-1979 DISTRICTS.] (a) For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after April 1, 2001, or the term of a nondefeased bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or repay:

(1) bonds issued before April 1, 1990;

(2) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs;

(3) administrative expenses of the district required to be paid under section 469.176, subdivision 4h, paragraph (a);

(4) transfers of increment permitted under section 469.1763, subdivision 6; and

(5) any advance or payment made by the municipality or the authority after June 1, 2002, to pay any bonds listed in clause (1) or (2); and

(6) amounts authorized under paragraph (d).

(b) Each year, any increments from a district subject to this subdivision must be first applied to pay obligations listed under paragraph (a), clauses (1) and (2), and administrative expenses under paragraph (a), clause (3). Any remaining increments may be used for transfers of increments permitted under section 469.1763, subdivision 6, and to make payments under paragraphs (a), clause (5), and (d).

(c) When sufficient money has been received to pay in full or defease obligations under paragraph (a), clauses (1), (2), and (5), and no spending is permitted by paragraph (d) for the year, the tax increment project or district must be decertified.

(d) In addition to the expenditures authorized under paragraph (a), clauses (1) to (5), a city may expend increments from a tax increment financing district subject to this subdivision after April 1, 2001, if all of the following conditions are met:

(1) the captured tax capacity for all tax increment financing districts constituted less than six percent of the city's total tax capacity for taxes payable in 2003; and

(2) the population of the city exceeds 50,000.

[EFFECTIVE DATE.] This section is effective for tax increment financing districts for which the request for certification was made before August 1, 1979.

Sec. 15. Minnesota Statutes 2002, section 469.176, is amended by adding a subdivision to read:

Subd. 4m. [USE OF INCREMENTS FOR JOB TRAINING.] Notwithstanding the limits on use of increments in subdivision 4, 4b, 4c, or 4j, increments may be expended for job training that is intended to result in new job growth within a tax increment financing district. The authority may expend increments directly for the cost of the job training or may reimburse an employer located within the district or a municipality in which the district is located for job training expenditures. Increments may be expended only for job training programs that are approved for this purpose by the local workforce council established under section 268.666 that has jurisdiction over the workforce service area that includes the tax increment financing district. For purposes of section 469.1763, increments expended under this subdivision are considered to be expended on activities in the district.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was made after July 31, 1979, provided that districts for which the request for certification was made before the effective date of this act must modify their plans to provide for this expenditure.

Sec. 16. Minnesota Statutes 2002, section 469.176, is amended by adding a subdivision to read:

Subd. 8. [URBAN RENEWAL AREA.] (a) An authority may create an urban renewal area only upon the notice and after the discussion, public hearing, and findings required for approval of the original project. In addition, the authority must obtain written approval from the county in which the urban renewal area is to be located. After approval by the city and county, the authority shall notify the commissioner of revenue of the approved urban renewal area.

(b) All provisions of sections 469.174 through 469.1799 apply except:

(1) the five-year rule under section 469.1763, subdivision 3, is extended to ten years;

(2) the limitation on spending increment outside of the district under section 469.1763, subdivision 2, does not apply, provided that increments may only be expended on improvements or activities within the urban renewal area, and increments from a soils condition district must be expended as provided under section 469.176, subdivision 4b; and

(3) the local tax rate certification required under section 469.177, subdivision 1a, does not apply.

[EFFECTIVE DATE.] This section is effective for urban renewal areas established on or after the date of final enactment.

Sec. 17. 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 subdivisions 2 and 3, or section 469.174, subdivision 11, 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 specified 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 are not required to 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 are 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, 2004.

Sec. 18. Minnesota Statutes 2002, section 469.1792, as amended by Laws 2003, chapter 127, 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, entered into before August 1, 2001, 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.

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

(ii) was issued to refinance an obligation under item (i), if the refinancing does not increase the present value of the debt service; and

(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 if the district is an economic development district for which the request for certification was made after June 30, 1997; 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 3. 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.

(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, 2004.

Sec. 19. Minnesota Statutes 2003 Supplement, section 469.310, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a place of business located within a job opportunity building zone.

(b) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the job opportunity building zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

(c) A business is not a qualified business if at its location or locations in the zone, the business is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies to any business entering a business subsidy agreement for a job opportunity development zone after that date.

Sec. 20. Laws 1998, chapter 389, article 11, section 19, subdivision 3, is amended to read:

Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority or the city after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. ~~In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.~~

[EFFECTIVE DATE.] This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 21. Laws 1998, chapter 389, article 11, section 24, subdivision 1, is amended to read:

Subdivision 1. [SPECIAL RULES.] (a) If the city elects upon the adoption of the tax increment financing plan for the district, the rules under this section apply to one or more redevelopment or soils condition tax increment financing districts established by the city of New Brighton or a development authority of the city in the area bounded on the north by the south boundary line of tax increment district number 8 extended to Long Lake regional park, on the east by interstate highway 35W, on the south by interstate highway 694, and on the west by Long Lake regional park.

~~(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to nine years for the district.~~

~~(c) The limitations on spending increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but the following limitations apply:~~

~~(1) increments may only be expended on improvements or activities within the area defined in paragraph (a); and~~

~~(2) increment from the area described in paragraph (d) must be expended within the area or for administrative expenses, sanitary sewer relocation, and the cost of road improvements that are a direct result of development occurring within that area.~~

~~(c) The certified original local tax rate for the district under Minnesota Statutes, section 469.177, subdivision 1a, does not apply.~~

~~(d) The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels identified as 20-30-23-14-0004, 20-30-23-14-0003, 20-30-23-41-0001, 21-30-23-32-0009, 21-30-23-32-0010, 20-30-23-41-0015, 20-30-23-41-0003, 21-30-23-32-0013, 20-30-23-41-0004, 20-30-23-41-0016, 20-30-23-41-0005, 20-30-23-41-0006, 20-30-23-41-0007, 20-30-23-41-0014, 20-30-23-41-0010, and 20-30-23-44-0002, or to railroad property in the district. The area of each parcel and the railroad property shall be deemed eligible for the purpose of qualifying for inclusion in a redevelopment district.~~

Sec. 22. Laws 1998, chapter 389, article 11, section 24, subdivision 2, is amended to read:

Subd. 2. [EXPIRATION.] (a) ~~The exception from the limitations of Minnesota Statutes, section 469.1763, subdivision 2, expires 18 years after the receipt of the first increment from a district to 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 or districts under this section expires on December 31, 2008 2013.~~

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

Sec. 23. [ANOKA COUNTY REGIONAL RAILROAD AUTHORITY POWERS.]

Subdivision 1. [ECONOMIC DEVELOPMENT POWERS AND DUTIES.] The Anoka County Regional Railroad Authority may exercise any of the powers and duties of an economic development authority under Minnesota Statutes, sections 469.090, 469.098, and 469.101 to 469.106. The Anoka County Regional Railroad Authority may exercise the powers under Minnesota Statutes, sections 469.001 to 469.047, for the purpose of transit-oriented development, except that the Anoka County Regional Railroad Authority must not exercise the power to tax under Minnesota Statutes, section 469.033, subdivision 6. In applying Minnesota Statutes, sections 469.001 to 469.047, 469.090, 469.098, and 469.101 to 469.106, to the Anoka County Regional Railroad 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 subdivision 1 shall change or impair the powers or duties of a city, town, municipal housing and redevelopment authority, or municipal economic development authority.

Subd. 3. [LOCAL APPROVAL.] If any economic development project is constructed in the county pursuant to the authorization in this section, the project must be approved by the governing body of each city or town within which the project will be constructed.

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

Sec. 24. [CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] At the election of the governing body of the city of Detroit Lakes, upon adoption of the tax increment financing plan for the district described in this section, the rules provided under this section apply to each such district.

Subd. 2. [DEFINITION.] In this section, "district" means a redevelopment district established by the city of Detroit Lakes or the Detroit Lakes Development Authority within the following area:

Beginning at the intersection of Washington Avenue and the Burlington Northern Santa Fe Railroad then east to the intersection of Roosevelt Avenue then south to the intersection of Highway 10/Frazer Street then west to the intersection of Frazer Street and the alley that parallels Washington Avenue then north to the point of beginning.

More than one district may be created under this act.

Subd. 3. [QUALIFICATION AS REDEVELOPMENT DISTRICT; SPECIAL RULES.] The district shall be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All buildings that are removed to facilitate the Highway 10 Realignment Project are deemed to be "structurally substandard." The three-year limit after demolition of the buildings to request tax increment financing certification provided in Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

Subd. 4. [EXPIRATION.] The authority to approve tax increment financing plans to establish a tax increment financing redevelopment district subject to this section expires on December 31, 2014.

Subd. 5. [EFFECTIVE DATE.] This section is effective upon approval of the governing body of the city of Detroit Lakes and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. [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 effective 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.

Sec. 26. [CITY OF BROOKLYN CENTER; EXTENSION OF TIME TO EXPEND TAX INCREMENT.]

For tax increment financing district number 3, established on December 19, 1994, by Brooklyn Center Resolution No. 94-273, Minnesota Statutes, section 469.1763, subdivision 3, applies to the district by permitting a period of 13 years for commencement of activities within the district.

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

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

Subdivision 1. [AUTHORITY TO REDUCE ORIGINAL VALUE.] The city of Fairmont may elect to reduce the original tax capacity of a previously tax exempt parcel, consisting of property formerly owned by the United States post office, in tax increment financing district No. 20, to the value of the land.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the city of Fairmont with the requirements of Minnesota Statutes, section 645.021.

Sec. 28. [CITY OF FERGUS FALLS; ECONOMIC DEVELOPMENT PROPERTY.]

The provisions of Minnesota Statutes, section 272.02, subdivision 39, apply to property located in the city of Fergus Falls as if the city had a population of 5,000 or less.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2004, payable in 2005, and thereafter.

Sec. 29. [CITY OF MINNEAPOLIS; SPECIAL SERVICE DISTRICTS; MANAGEMENT BY NONPROFIT CORPORATIONS.]

The city of Minneapolis may elect, in the establishment of a special service district, to provide that the activities of the special service district may be managed by a nonprofit corporation created to assist and act on behalf of the city in implementing and providing services as authorized by Minnesota Statutes, section 428A.02. The ordinance establishing the district may not be adopted until the city certifies that no current city employee is able and available to perform the services called for by the contract and until that certification is verified at the public hearing on the ordinance.

If the city intends to contract with a nonprofit corporation to manage a special service district, the notice of the hearing on the ordinance relating to creation of the district must include a statement of that intent, and certification that no city employee is able and available to perform the service that would be provided within the special service district.

[EFFECTIVE DATE.] This section is effective for public hearings on ordinances conducted after June 30, 2004, but only after approval by the governing body of the city of Minneapolis and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. [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. 31. [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. 32. [WABASHA TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [DISTRICT EXTENSION.] The governing body of the city of Wabasha may elect to extend the duration of its redevelopment tax increment financing district number 3 by up to five additional years.

Subd. 2. [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 a tax increment financing district must be considered to be met for the city of Wabasha redevelopment tax increment district number 3, if the activities are undertaken within ten years from the date of certification of the district.

Subd. 3. [NATIONAL EAGLE CENTER.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4l, or any other law, the city of Wabasha may spend the proceeds of tax increment bonds issued prior to January 1, 2000, to pay the costs of acquiring and constructing a National Eagle Center in the city. The city of Wabasha may also use tax increment from its tax increment districts to pay the debt service on such bonds, or any bonds issued to refund such bonds, subject to legal restrictions on the pooling of tax increment.

[EFFECTIVE DATE.] Subdivision 1 is effective upon compliance with the provisions of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021. Subdivisions 2 and 3 are effective upon compliance by the governing body of the city of Wabasha with the provisions of Minnesota Statutes, section 645.021.

Sec. 33. [JOBZ EXPENDITURE LIMITATIONS; AUDITS.]

Subdivision 1. [DETERMINATION OF TAX EXPENDITURES.] By September 1, 2004, the commissioner of revenue, with the assistance of the commissioner of employment and economic

development, must estimate the total amount of tax expenditures projected to have been obligated for all job opportunity building zone projects that have been approved before June 1, 2004. If the commissioner of revenue determines that the estimated amount of tax expenditures for fiscal years 2005-2007 exceeds \$13,780,000, the commissioner of revenue must inform the commissioner of employment and economic development of that fact, and the commissioner of trade and economic development must notify all the job opportunity building zone and subzone administrators that no additional business subsidy agreements may be completed after September 1, 2004.

Subd. 2. [AUDITS.] The Tax Increment Financing, Investment and Finance Division of the Office of the State Auditor must annually audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under Minnesota Statutes, sections 469.310 to 469.320.

ARTICLE 6 PUBLIC FINANCE

Section 1. Minnesota Statutes 2003 Supplement, section 373.01, subdivision 3, is amended to read:

Subd. 3. [CAPITAL NOTES.] (a) 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.

(b) For purposes of this subdivision, "capital equipment" means:

(1) public safety, ambulance, road construction or maintenance, and medical equipment; and
(2) computer hardware and original operating system software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer.

(c) The authority to issue capital notes for original operating systems computer software and related services expires on July 1, 2005.

Sec. 2. Minnesota Statutes 2003 Supplement, section 373.40, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Bonds" means an obligation as 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 within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, and roads and bridges, and the acquisition of development rights in the form of conservation easements under chapter 84C. 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 a recreation or sports facility building (such as, 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 facility and is incidental to the primary purpose of outdoor recreation.

(c) "Commissioner" means the commissioner of employment and economic development.

(d) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(e) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

- (1) the federal decennial census,
- (2) a special census conducted under contract by the United States Bureau of the Census, or
- (3) a population estimate made either by the metropolitan council or by the state demographer under section 4A.02.

(f) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(g) "Tax capacity" means total taxable market value, but does not include captured market value.

Sec. 3. Minnesota Statutes 2003 Supplement, section 403.21, subdivision 8, is amended to read:

Subd. 8. [SUBSYSTEMS.] "Subsystems" or "public safety radio subsystems" means systems identified in the plan or a plan developed under section 403.36 as subsystems interconnected by the first and third phase backbone in subsequent phases and operated by local government units for their own internal operations.

Sec. 4. Minnesota Statutes 2003 Supplement, section 403.27, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] After consulting with the commissioner of finance, the council, if requested by a vote of at least two-thirds of all of the members of the Public Safety Radio Communication System Planning Committee established under section 403.36, may, by resolution, authorize the issuance of its revenue bonds for any of the following purposes to:

- (1) provide funds for regionwide mutual aid and emergency medical services communications;
- (2) provide funds for the elements of the first phase of the regionwide public safety radio communications system that the board determines are of regionwide benefit and support mutual aid and emergency medical services communication including, but not limited to, costs of master controllers of the backbone;
- (3) provide money for the second phase of the public safety radio communication system;
- (4) provide money for the third phase of the public safety radio communication system;
- (5) to the extent money is available after meeting the needs described in clauses (1) to (3), provide money to reimburse local units of government for amounts expended for capital improvements to the first phase system previously paid for by the local government units; or
- (6) to the extent money is available after meeting the needs described in clauses (1) to (5), provide money for assistance to a local government unit for up to 50 percent of the cost of building a subsystem in the southeast or central districts of the state patrol; or
- (7) refund bonds issued under this section.

Sec. 5. Minnesota Statutes 2003 Supplement, section 403.27, subdivision 3, is amended to read:

Subd. 3. [LIMITATIONS.] (a) The principal amount of the bonds issued pursuant to subdivision 1, exclusive of any original issue discount, shall not exceed the amount of \$10,000,000 plus the amount the council determines necessary to pay the costs of issuance, fund reserves, debt service, and pay for any bond insurance or other credit enhancement.

(b) In addition to the amount authorized under paragraph (a), the council may issue bonds under subdivision 1 in a principal amount of \$3,306,300, plus the amount the council determines necessary to pay the cost of issuance, fund reserves, debt service, and any bond insurance or other credit enhancement. The proceeds of bonds issued under this paragraph may not be used to finance portable or subscriber radio sets.

(c) In addition to the amount authorized under paragraphs (a) and (b), the council may issue bonds under subdivision 1 in a principal amount of \$18,000,000, plus the amount the council determines necessary to pay the costs of issuance, fund reserves, debt service, and any bond insurance or other credit enhancement. The proceeds of bonds issued under this paragraph must be used to pay up to 50 percent of the cost to a local government unit of building a subsystem identified in the plan adopted under section 403.23, subdivision 2, and may not be used to finance portable or subscriber radio sets. The bond proceeds may be used to make improvements to an existing 800 MHz radio system that will interoperate with the regionwide public safety radio communication system, provided that the improvements conform to the board's plan and technical standards. The council must time the sale and issuance of the bonds so that the debt service on the bonds can be covered by the additional revenue that will become available in the fiscal year ending June 30, 2005, generated under section 403.11 and appropriated under section 403.30.

(d) In addition to the amount authorized under paragraphs (a) to (c), the council may issue bonds under subdivision 1 in a principal amount of up to \$27,000,000, plus the amount the council determines necessary to pay the costs of issuance, fund reserves, debt service, and any bond insurance or other credit enhancement. The proceeds of bonds issued under this paragraph are appropriated to the commissioner of public safety for phase three of the public safety radio communication system. In anticipation of the receipt by the commissioner of public safety of the bond proceeds, the Metropolitan Radio Board may advance money from its operating appropriation to the commissioner of public safety to pay for design and preliminary engineering for phase three. The commissioner of public safety must return these amounts to the Metropolitan Radio Board when the bond proceeds are received.

(e) In addition to the amount authorized under paragraphs (a) to (d), the council may issue bonds under subdivision 1 in a principal amount of up to \$9,500,000, plus the amount the council determines necessary to pay the costs of issuance, fund reserves, debt service, and any bond insurance or other credit enhancement. The proceeds of bonds issued under this paragraph are appropriated to the commissioner of public safety for the purpose of subdivision 1, clause (6), provided that the proceeds may not be used to finance portable or subscriber radio sets.

Sec. 6. Minnesota Statutes 2003 Supplement, section 403.31, subdivision 6, is amended to read:

Subd. 6. [OPERATING COSTS OF PHASES THREE TO SIX.] (a) The ongoing costs of the commissioner in operating phases three to six of the statewide public safety radio communication system shall be allocated among and paid by the following users, all in accordance with the statewide public safety radio communication system plan developed by the planning committee under section 403.36:

- (1) the state of Minnesota for its operations using the system;
- (2) all local government units using the system; and
- (3) other eligible users of the system.

(b) Each local government and other eligible users of phases three to six of the system shall pay to the commissioner all sums charged under this section, at the times and in the manner determined by the commissioner. The governing body of each local government shall take all action that may be necessary to provide the funds required for these payments and to make the payments when due.

(c) If the governing body of any local government using phase three, four, five, or six of the system fails to meet any payment to the commissioner under this subdivision when due, the commissioner may certify to the auditor of the county in which the government unit is located the amount required for payment of the amount due with interest at six percent per year. The auditor shall levy and extend the amount due, with interest, as a tax upon all taxable property in the government unit for the next calendar year, free from any existing limitations imposed by law or charter. This tax shall be collected in the same manner as the general taxes of the government unit, and the proceeds of the tax, when collected, shall be paid by the county treasurer to the commissioner and credited to the government unit for which the tax was levied.

Sec. 7. Minnesota Statutes 2003 Supplement, section 410.32, is amended to read:

410.32 [CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.]

(a) 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 capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and original operating system software, provided whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer.

(c) The equipment or software ~~has~~ must have an expected useful life at least as long as the term of the notes.

(d) The authority to issue capital notes for ~~original operating system computer software and related services~~ expires on July 1, 2005.

(e) 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.

(f) 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.

(g) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(h) 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. 8. Minnesota Statutes 2003 Supplement, section 412.301, is amended to read:

412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction ~~or~~ and maintenance equipment, and other capital equipment; and

(2) computer hardware and original operating system software, provided whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer.

(c) The equipment or software ~~has~~ must have an expected useful life at least as long as the terms of the certificates or notes.

(d) The authority to issue capital notes for ~~original operating system computer software and related services~~ expires on July 1, 2005.

(e) Such certificates or notes shall be payable in not more than ~~five~~ ten years and shall be issued on such terms and in such manner as the council may determine.

(f) 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.

(g) 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. 9. Minnesota Statutes 2002, section 428A.101, is amended to read:

428A.101 [SPECIAL SERVICE DISTRICT; SUNSET OF SELF-EXECUTING PROVISIONS.]

The establishment of a new special service district after June 30, 2005 2009, requires enactment of a special law authorizing the establishment.

Sec. 10. Minnesota Statutes 2002, section 428A.21, is amended to read:

428A.21 [SUNSET.]

No new housing improvement areas may be established under sections 428A.11 to 428A.20 after June 30, 2005 2009. After June 30, 2005 2009, a city may establish a housing improvement area, provided that it receives enabling legislation authorizing the establishment of the area.

Sec. 11. Minnesota Statutes 2002, section 452.25, subdivision 3, is amended to read:

Subd. 3. [AUTHORITY.] (a) Upon the approval of its elected utilities commission or, if there be none, its city council, a municipal utility may enter into a joint venture with other municipal utilities, municipal power agencies, cooperative associations, ~~or~~ investor-owned utilities, or other private investors to provide utility services. Retail electric utility services provided by a joint venture must be within the boundaries of each utility's exclusive electric service territory as shown on the map of service territories maintained by the department of commerce. The terms and conditions of the joint venture are subject to ratification by the governing bodies of the respective utilities and may include the formation of a corporate or other separate legal entity with an administrative and governance structure independent of the respective utilities.

(b) A corporate or other separate legal entity, if formed:

(1) has the authority and legal capacity and, in the exercise of the joint venture, the powers, privileges, responsibilities, and duties authorized by this section;

(2) is subject to the laws and rules applicable to the organization, internal governance, and activities of the entity;

(3) in connection with its property and affairs and in connection with property within its control, may exercise any and all powers that may be exercised by a natural person or a private corporation or other private legal entity in connection with similar property and affairs;

(4) a joint venture that does not include an investor-owned utility may elect to be deemed a municipal utility or a cooperative association for purposes of chapter 216B or other federal or state law regulating utility operations; and

(5) for a joint venture that includes an investor-owned utility, the commission has authority over the activities, services, and rates of the joint venture, and may exercise that authority, to the same extent the commission has authority over the activities, services, and rates of the investor-owned utility itself.

(c) Any corporation, if formed, must comply with section 465.719, subdivisions 9, 10, 11, 12, 13, and 14. The term "political subdivision," as it is used in section 465.719, shall refer to the city council of a city. In this paragraph, "corporation" means a corporation organized under chapters 302A and 317A.

Sec. 12. Minnesota Statutes 2002, section 469.034, subdivision 2, is amended to read:

Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors, and the maturities may extend to not more than 30 years ~~from the estimated date of completion of the project~~ for obligations sold to finance housing for the elderly and 40 years from the estimated date of completion of the project for other obligations issued under this subdivision. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the taxable market value of the general jurisdiction governmental unit whose general obligation which includes a tax on property is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located, and will be owned by the authority for the term of the bonds. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

Sec. 13. Minnesota Statutes 2002, section 471.342, is amended by adding a subdivision to read:

Subd. 2a. [WATER SUBMETERING.] In this section, "water submetering" means metering devices in multifamily dwellings and related services, which detect water leaks and monitor water usage of specific units or areas.

Sec. 14. Minnesota Statutes 2002, section 471.342, subdivision 3, is amended to read:

Subd. 3. [PROGRAM AUTHORITY.] A city may establish an inflow and infiltration prevention program and a water submetering program and provide loans and grants to property owners to assist the owners in financing the cost of abating inflow and infiltration and water conservation and leak detection on their property.

Sec. 15. Minnesota Statutes 2002, section 471.342, subdivision 5, is amended to read:

Subd. 5. [PROGRAM FINANCING.] The city may finance the ~~program~~ programs with federal, state, private, or city funds. City funds include, but are not limited to, general fund appropriations, sanitary or storm sewer utility funds, and fees or charges. A city may also issue revenue obligations payable solely from fees and charges imposed for program costs and loan repayments to finance the programs.

Sec. 16. Minnesota Statutes 2002, section 473.39, is amended by adding a subdivision to read:

Subd. 1k. [OBLIGATIONS.] After July 1, 2004, in addition to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, and 1j, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$32,000,000 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.

Sec. 17. Minnesota Statutes 2002, section 474A.131, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues bonds with an allocation received under this chapter shall provide a notice of issue to the department on forms provided by the department stating:

- (1) the date of issuance of the bonds;
- (2) the title of the issue;
- (3) the principal amount of the bonds;
- (4) the type of qualified bonds under federal tax law;
- (5) the dollar amount of the bonds issued that were subject to the annual volume cap; and
- (6) for entitlement issuers, whether the allocation is from current year entitlement authority or is from carryforward authority.

For obligations that are issued as a part of a series of obligations, a notice must be provided for each series. A penalty of one-half of the amount of the application deposit not to exceed \$5,000 shall apply to any issue of obligations for which a notice of issue is not provided to the department within five business days after issuance or before ~~the last Monday 4:30 p.m. on the last business day~~ in December, whichever occurs first. Within 30 days after receipt of a notice of issue the department shall refund a portion of the application deposit equal to one percent of the amount of the bonding authority actually issued if a one percent application deposit was made, or equal to two percent of the amount of the bonding authority actually issued if a two percent application deposit was made, less any penalty amount.

Sec. 18. Minnesota Statutes 2002, section 475.52, subdivision 1, is amended to read:

Subdivision 1. [STATUTORY CITIES.] Any statutory city may issue bonds or other obligations for the acquisition or betterment of public buildings, means of garbage disposal, hospitals, nursing homes, homes for the aged, schools, libraries, museums, art galleries, parks, playgrounds, stadia, sewers, sewage disposal plants, subways, streets, sidewalks, warning systems; for any utility or other public convenience from which a revenue is or may be derived; for a permanent improvement revolving fund; for changing, controlling or bridging streams and other waterways; for the acquisition and betterment of bridges and roads within two miles of the corporate limits; for the acquisition of development rights in the form of conservation easements under chapter 84C; and for acquisition of equipment for snow removal, street construction and maintenance, or fire fighting. Without limitation by the foregoing the city may issue bonds to provide money for any authorized corporate purpose except current expenses.

Sec. 19. Minnesota Statutes 2002, section 475.52, subdivision 3, is amended to read:

Subd. 3. [COUNTIES.] Any county may issue bonds for the acquisition or betterment of

courthouses, county administrative buildings, health or social service facilities, correctional facilities, law enforcement centers, jails, morgues, libraries, parks, and hospitals, for roads and bridges within the county or bordering thereon and for road equipment and machinery and for ambulances and related equipment, for the acquisition of development rights in the form of conservation easements under chapter 84C, and for capital equipment for the administration and conduct of elections providing the equipment is uniform countywide, except that the power of counties to issue bonds in connection with a library shall not exist in Hennepin County.

Sec. 20. Minnesota Statutes 2002, section 475.52, subdivision 4, is amended to read:

Subd. 4. [TOWNS.] Any town may issue bonds for the acquisition and betterment of town halls, town roads and bridges, nursing homes and homes for the aged, and for acquisition of equipment for snow removal, road construction or maintenance, and fire fighting, for the acquisition of development rights in the form of conservation easements under chapter 84C, and for the acquisition and betterment of any buildings to house and maintain town equipment.

Sec. 21. Minnesota Statutes 2003 Supplement, section 475.521, subdivision 4, is amended to read:

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~~ 0.16 percent of the taxable market value of property in the ~~county~~ city for a city that has a population less than 2,500 and 0.05367 percent of the taxable market value of property in the city for a city that has a population of 2,500 or more. 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.

Sec. 22. Minnesota Statutes 2003 Supplement, 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.

(c) For purposes of this subdivision, street reconstruction includes utility replacement and relocation and other activities incidental to the street reconstruction, ~~but~~ turn lanes, and other improvements having a substantial public safety function and realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects.

(d) Except in the case of turn lanes, safety improvements, intersection modifications, and the local share of state and county road projects, street reconstruction does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 23. Minnesota Statutes 2002, section 504B.215, is amended by adding a subdivision to read:

Subd. 5. [UTILITY CHARGES.] (a) Where submetering, as defined in section 471.342, subdivision 2a, is installed, metering equipment must comply with safety and technical standards established by the American Water Works Association, and must be installed in accordance with manufacturer's instructions and applicable code.

(b) Where tenants are billed separately from rent for utilities, the person or entity billing the tenants may not collect in the aggregate more than the amount billed by the utility for the utility service provided. The person or entity may not collect from tenants as part of utility charges, administrative, capital, or other expenses related to the provision of utility service. Such expenses include, but are not limited to, purchase and installation of submeters, connection, disconnection, reconnection, billing, or other servicing charges and late payment charges.

(c) The rate for utility service charged to tenants must be the same rate that the bill payer of record is charged by the utility. Recovery by the bill payer of record from the tenants of any fixed monthly or periodic charges shall be made on a pro rata basis.

(d) Upon a resident's request, an owner must provide a copy of any bills received from the utility showing the billed rate and total consumption and any bills, statements, or other documentation of rates and consumption provided by any third party to an owner during the prior 12 months.

(e) Any violation of this subdivision shall be considered a violation of sections 325F.69 and 325D.44.

Sec. 24. [CITY OF ST. PAUL; RIVERCENTRE COMPLEX OPERATION.]

Subdivision 1. [DEFINITIONS.] (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "City" means the city of St. Paul, its mayor, city council, and any other board, authority, commission, or officer authorized by law, charter, or ordinance to exercise city powers of the nature referred to in this section.

(c) "RiverCentre complex" means collectively the auditorium, convention, conference and education center, arena, and parking ramp facilities presently and commonly known as the Roy Wilkins Auditorium, St. Paul RiverCentre, Xcel Energy Center, and RiverCentre Parking Ramp, including all property, real or personal, tangible or intangible, located in the city, intended to be used as part of the RiverCentre complex or additions to or extensions of it.

Subd. 2. [CREATION OF NONPROFIT ORGANIZATION.] As required under Minnesota Statutes, section 465.717, and notwithstanding any other law, city charter provision, or ordinance to the contrary, the city of St. Paul may participate in the creation of a nonprofit organization for the purposes provided in this section.

Subd. 3. [GOVERNING BOARD.] (a) The mayor of the city, subject to approval by the city council, shall appoint a majority of the members of the governing board of the nonprofit organization performing all or a part of the activities necessary to carry out the purposes specified in this section. The mayor may designate any officer or employee of the city to serve as a member of the governing board of any nonprofit organization.

(b) In addition to the appointments made by the mayor under paragraph (a), the mayor shall designate two members of the city council to serve on the governing board of the nonprofit organization.

(c) Notwithstanding any provision contained in the articles of incorporation and bylaws of the nonprofit organization, any member of the governing board appointed by the mayor may be removed only by the mayor.

(d) The governing board of the nonprofit organization shall select, subject to the approval of the mayor, a president to serve as chief executive officer and general manager of the nonprofit organization.

(e) The procedures in Minnesota Statutes, section 317A.255, subdivision 1, paragraph (b), relating to director conflicts of interest, are not required if the contract or other transaction is between the city and the nonprofit organization.

Subd. 4. [RIVERCENTRE MANAGEMENT; AUTHORITY TO CONTRACT WITH NONPROFIT ORGANIZATION.] The city may enter into an agreement with the nonprofit organization created in subdivision 2 to equip, maintain, manage, and operate all or a portion of the RiverCentre complex and to manage and operate a convention bureau to market and promote the city as a tourist or convention center. Except as otherwise provided in this section, the nonprofit organization may only contract and utilize and expend funds for these purposes under the direction of its governing board, subject to the accounting, financial reporting, and other conditions that the city may prescribe in a contract made under this section between the city and the nonprofit organization. The nonprofit organization may use the services of the office of the city attorney and the city's purchasing department. All activities performed to carry out these purposes are deemed to be for a public purpose.

Subd. 5. [BONDHOLDERS' RIGHTS AND RIVERCENTRE COMPLEX TAX EXEMPTIONS PRESERVED.] (a) The city must protect the rights of holders of bonds issued for the RiverCentre complex, including preserving the tax-exempt status of the bonds.

(b) The use and operation of the RiverCentre complex by the nonprofit organization with which the city contracts under this act is a use, lease, or occupancy for public, governmental, and municipal purposes, and the complex is exempt from taxation by the state or any political subdivision of the state during such use, to the extent it would be exempt if the complex was equipped, maintained, managed, and operated by the city.

(c) Gross receipts of tickets and admissions to events at the RiverCentre complex sponsored by the nonprofit organization created in section 2 do not qualify for the sales tax exemption under Minnesota Statutes, section 297A.70, subdivision 10.

Subd. 6. [APPLICABLE GENERAL LAWS.] The following statutes apply to the nonprofit organization with which the city contracts under this section the same as they apply to the city, to the extent practicable:

(1) Minnesota Statutes, chapter 13D, the Minnesota Open Meeting Law; and

(2) Minnesota Statutes, chapter 13, the Government Data Practices Act.

Subd. 7. [SUCCESSION.] The nonprofit organization with which the city contracts under this section is the successor to all powers, rights, assets, privileges, and interests held and enjoyed by the RiverCentre authority on the effective date of this section, and established by the provisions of Laws 1967, chapter 459, sections 1, 2, 4, and 8, subdivisions 2 and 3, clause (3), as amended; Laws 1982, chapter 523, article 25, sections 4 and 5, as amended; Laws 1998, chapter 404, sections 81 and 82; and Minnesota Statutes, section 297A.98. On the effective date of the contract between the city and the nonprofit organization authorized by this section, the RiverCentre authority ceases to exist for only so long as the contract is in effect, and all other laws or provisions specifically relating to the RiverCentre authority and the RiverCentre complex that are not otherwise referenced in this section, do not apply to the nonprofit organization.

Subd. 8. [LIABILITY.] The nonprofit organization with which the city contracts under this section is a "municipality," and the officers, directors, employees, and agents of the nonprofit organization are "employees, officers, or agents," under Minnesota Statutes, chapter 466, relating to tort liability. The city must defend, save harmless, and indemnify the nonprofit organization, including the nonprofit's officers, directors, employees, and agents, against any claim or demand arising out of the nonprofit organization's performance under the contract.

[EFFECTIVE DATE.] This section is effective the day after the city council and the chief clerical officer of the city of St. Paul have timely completed their compliance with Minnesota Statutes, section 645.023, subdivisions 2 and 3.

Sec. 25. [TRANSFER OF MHFA BONDING AUTHORITY TO HESO.]

Notwithstanding Minnesota Statutes, section 474A.03, subdivision 2a, clause (b), the Minnesota Housing Finance Agency may enter into an agreement with the Higher Education Services Office under which the Higher Education Services Office issues qualified student loan bonds, up to \$50,000,000 of which are issued pursuant to bonding authority allocated to the Minnesota Housing Finance Agency in 2004 under Minnesota Statutes, section 474A.03, subdivision 2a, clause (a). This amount is in addition to the bonding authority otherwise allocated to the Higher Education Services Office under Minnesota Statutes, chapter 474A. Notwithstanding Minnesota Statutes, sections 474A.04, subdivision 1a, 474A.061, or 474A.091, subdivision 2, bonding authority carried forward by the Minnesota Housing Financing Agency from its allocation for 2004 under Minnesota Statutes, section 474A.03, subdivision 2a, clause (b), are exempt from the requirement that the bonding authority be permanently issued by December 31 of the next succeeding calendar year.

Sec. 26. [APPLICATION.]

Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 27. [EFFECTIVE DATE.]

Except as provided in section 24, this article is effective the day following final enactment.

ARTICLE 7

INTERNATIONAL ECONOMIC DEVELOPMENT ZONE

Section 1. Minnesota Statutes 2002, section 174.03, is amended by adding a subdivision to read:

Subd. 2a. [STATE AVIATION PLAN.] (a) Each revision of the state transportation plan must include a chapter setting out a state aviation plan. The plan must include the following:

(1) an analysis of the projected commercial aviation needs of the state over the next 20 years;

(2) a description of the present capacity, function, and levels of activity at each commercial service airport as designated by the Federal Aviation Administration, each airport that the commissioner determines is likely to become a commercial service airport in the next 20 years, and any other airport that the commissioner determines should be included by reason of commercial passenger or cargo service levels; and

(3) a description of the capacity, function, and levels of activity that each airport identified in clause (2) must have in order to carry out the plan's goal and objectives and meet the needs described under clause (1).

(b) In assessing aviation needs and the capacity, function, and level of activity at any airport, the plan must consider both commercial passenger service and cargo service.

Sec. 2. [174.032] [ADVISORY COUNCIL ON AVIATION PLANNING.]

Subdivision 1. [ADVISORY COUNCIL CREATED.] (a) The commissioner shall create an advisory council on aviation planning to advise the commissioner on the aviation chapter of the state transportation plan. The council consists of the following members appointed by the commissioner:

(1) one member of the Metropolitan Airports Commission;

(2) one representative of major commercial airlines;

(3) one representative of independent pilots who fly for small business;

(4) one representative of the air cargo industry;

(5) two representatives of the business community unrelated to aviation, one of whom must reside within the seven-county metropolitan area and one of whom must reside outside that area;

- (6) one representative of environmental interests;
- (7) one employee of the Department of Transportation's Office of Aeronautics;
- (8) two representatives of neighborhoods that are significantly affected by airplane noise; and
- (9) one representative of tier-two airports (St. Cloud, Duluth, Willmar, and Rochester).

(b) Members of the advisory council serve at the pleasure of the appointing authority. Members shall serve without compensation.

Subd. 2. [ADVISORY COUNCIL DUTIES.] (a) The advisory council on aviation planning shall advise the commissioner on the aviation planning chapter of the state transportation plan required under section 174.03, subdivision 2a. In carrying out these duties the advisory council shall prepare an initial draft of the chapter and submit it to the commissioner, revise the draft if so requested by the commissioner, and comment to the commissioner on any revisions to the draft the commissioner makes. In drafting the chapter the council shall consider:

(1) present and anticipated capacity needs of commercial service airports, including limitations on expanding the capacity of individual commercial service airports imposed by state or local regulations, safety or environmental concerns, and land uses near the airport that are incompatible with airport operations;

(2) the needs of Minnesota residents and businesses for passenger and cargo service, from both a statewide and regional perspective;

(3) anticipated changes in commercial aircraft types and characteristics;

(4) noise and other environmental impacts of aviation at commercial service airports;

(5) trends in the aviation and airline industries; and

(6) relationship between aviation and other forms of transportation covered by the state transportation plan.

(b) The advisory council may also make recommendations to the commissioner, the Metropolitan Airports Commission, and the legislature concerning the policy steps needed to implement the chapter.

Subd. 3. [TERM OF COUNCIL; EXPIRATION; RECONVENING.] (a) The commissioner shall appoint the first advisory council by July 1, 2004. The council shall submit any recommendations it makes to the legislature by January 15, 2005. The terms of all members of the advisory council serving on July 1, 2004, expire on January 1, 2006.

(b) The commissioner shall appoint and convene a new advisory council not less than two years before the date on which each revision of the state transportation plan is required under section 174.03, subdivision 1a. Each such advisory council must consist of members as prescribed in subdivision 1, who shall serve on the same terms as set forth under subdivision 1. Each such advisory council expires on the date on which the revision of the state transportation plan becomes final.

Sec. 3. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 32. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE JOB CREDIT.] A taxpayer that is a qualified business, as defined in section 469.321, subdivision 6, is allowed a credit as determined under section 469.327 against the tax imposed by this chapter.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 4. [290.0681] [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE INVESTMENT CREDIT.]

A person is allowed a credit against the taxes imposed under this chapter in an amount equal to 50 percent of the amount of qualifying investment. A qualifying investment is an amount invested in a regional distribution center, as developed pursuant to section 469.322. Unused portions of the credit may be carried over for five years.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 5. Minnesota Statutes 2002, section 290.191, is amended by adding a subdivision to read:

Subd. 4a. **[APPORTIONMENT FORMULA FOR CERTAIN QUALIFIED BUSINESSES.]** (a) If the business of a corporation, partnership, or proprietorship is a qualified business under section 469.321, and has operations only within the international economic development zone, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with its trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period. Property and payroll factors are disregarded.

(b) If the taxpayer has operations both within the international economic development zone and outside of the international economic development zone, income will be apportioned to Minnesota under the formula in subdivision 2, except that only the Minnesota sales of the facility or facilities located in the international economic development zone will be included in the taxpayer's factors. Property and payroll factors of the facility or facilities located in the international economic development zone are disregarded.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 6. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 40. **[INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.]** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in an international economic development zone designated under section 469.322.

(b) Purchase and use of construction materials and supplies for construction of improvements to real property in an international economic development zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.321. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax, regardless of whether the local tax is imposed on sales taxable under this chapter or in another law, ordinance, or charter provision.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the period provided under section 469.324, subdivision 2.

[EFFECTIVE DATE.] This section is effective for sales made on or after the day following final enactment.

Sec. 7. [469.321] **[DEFINITIONS.]**

Subdivision 1. **[SCOPE.]** For purposes of sections 469.321 to 469.328, the following terms have the meanings given.

Subd. 2. **[FOREIGN TRADE ZONE.]** "Foreign trade zone" means a foreign trade zone designated pursuant to United States Code, title 19, section 81b, for the right to use the powers provided in United States Code, title 19, sections 81a to 81u, or a subzone authorized by the foreign trade zone.

Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade zone authority" means the Greater Metropolitan Foreign Trade Zone Commission number 119, a joint powers authority created by the county of Hennepin, the cities of Minneapolis and Bloomington, and the Metropolitan Airports Commission, under the authority of section 469.059, 469.101, or 471.59, which includes any other political subdivisions that enter into the authority after its creation.

Subd. 4. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.] An "international economic development zone" or "zone" is a zone so designated under section 469.322.

Subd. 5. [PERSON.] "Person" includes an individual, corporation, partnership, limited liability company, association, or any other entity.

Subd. 6. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a place of business located within an international economic development zone that is:

(1) engaged in the furtherance of international export or import of goods; and

(2) certified by the foreign trade zone authority as a trade or business that furthers the purpose of developing international distribution capacity and capability.

(b) A person that relocates a trade or business from within Minnesota but outside an international economic development zone into an international economic development zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the international economic development zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year that tax incentives under section 469.324 are claimed; or

(ii) makes a capital investment in the property located within a zone equal to at least ten percent of the gross revenues of the operations that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the foreign trade zone authority that:

(i) pledges that the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.324 to the business under the procedures in section 469.328, if the requirements of clause (1) are not met for the taxable year or for taxes payable during a year in which the requirements were not met; and

(iii) contains any other terms the foreign trade zone authority determines appropriate.

Clause (1) of this paragraph does not apply to a freight forwarder.

(c) A qualified business must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 percent of the federal poverty guidelines for a family of four.

Subd. 7. [REGIONAL DISTRIBUTION CENTER.] A "regional distribution center" is a distribution center developed within a foreign trade zone. The regional distribution center must have as its primary purpose to facilitate gathering of freight for the purpose of centralizing the functions necessary for the shipment of freight in international commerce, including, but not limited to, security and customs functions.

Subd. 8. [RELOCATE.] (a) "Relocate" means that a trade or business:

(1) ceases one or more operations or functions at another location in Minnesota and begins performing substantially the same operations or functions at a location in an international economic development zone; or

(2) reduces employment at another location in Minnesota during a period starting one year before and ending one year after it begins operations in an international economic development zone and its employees in the international economic development zone are engaged in the same line of business as the employees at the location where it reduced employment.

(b) "Relocate" does not include an expansion by a business that establishes a new facility that does not replace or supplant an existing operation or employment, in whole or in part.

(c) "Trade or business" includes any business entity that is substantially similar in operation or ownership to the business entity seeking to be a qualified business under this section.

Subd. 9. [FREIGHT FORWARDER.] "Freight forwarder" is a business that, for compensation, ensures that goods produced or sold by another business move from point of origin to point of destination.

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

Sec. 8. [469.322] [DESIGNATION OF INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.]

(a) An area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if within the zone a regional distribution center is being developed pursuant to section 469.323. The zone must be not less than 500 acres and not more than 1,000 acres in size.

(b) In making the designation, the foreign trade zone authority, in consultation with the Minnesota Department of Transportation and the Metropolitan Council, shall consider access to major transportation routes, consistency with current state transportation and air cargo planning, adequacy of the size of the site, access to airport facilities, present and future capacity at the designated airport, the capability to meet integrated present and future air cargo, security, and inspection services, and access to other infrastructure and financial incentives. The border of the international economic development zone must be no more than 60 miles distant or 90 minutes drive time from the border of the Minneapolis-St. Paul International Airport. The county in which the zone is located must be a member of the foreign trade zone authority.

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

Sec. 9. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION CENTER.] The foreign trade zone authority is responsible for creating a development plan for the regional distribution center. The regional distribution center must be developed with the purpose of expanding, on a regional basis, international distribution capacity and capability. The foreign trade zone authority shall consult with municipalities that have indicated to the authority an interest in locating the international economic development zone within their boundaries and a willingness to establish a tax increment financing district coterminous with the boundaries of the zone, as well as interested businesses, potential financiers, and appropriate state and federal agencies.

Subd. 2. [BUSINESS PLAN.] Before designation of an international economic development zone under section 469.322, the governing body of the foreign trade zone authority shall prepare a business plan. The plan must include an analysis of the economic feasibility of the regional distribution center once it becomes operational and of the operations of freight forwarders and other businesses that choose to locate within the boundaries of the zone. The analysis must provide profitability models that:

(1) include the benefits of the incentives;

(2) estimate the amount of time needed to achieve profitability; and

(3) analyze the length of time incentives will be necessary to the economic viability of the regional distribution center.

If the governing body of the foreign trade authority determines that the models do not establish the economic feasibility of the project, the regional distribution center does not meet the development requirements of this section and section 469.322.

Subd. 3. [PORT AUTHORITY POWERS.] The governing body of the foreign trade zone authority may establish a port authority that has the same powers as a port authority established under section 469.049. If the foreign trade zone authority establishes a port authority, the governing body of the foreign trade zone authority may exercise all powers granted to a city by sections 469.048 to 469.068 within the area of the international economic development zone, except it may not impose or request imposition of a property tax levy under section 469.053 by any city.

Subd. 4. [BUSINESS SUBSIDY LAW.] Tax exemptions, job credits, and tax increment financing provided under this section are business subsidies for the purpose of sections 116J.993 to 116J.995.

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

Sec. 10. [469.324] [TAX INCENTIVES IN INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.]

Subdivision 1. [AVAILABILITY.] Qualified businesses that operate in an international economic development zone, individuals who invest in a regional distribution center, or qualified businesses that operate in an international economic development zone qualify for:

- (1) investment tax credits as provided under section 290.0681;
- (2) special apportionment formula for corporate franchise taxes as provided under section 290.191, subdivision 4a;
- (3) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 40;
- (4) the jobs credit allowed under section 469.327; and
- (5) tax increment financing as provided in chapter 469.

Subd. 2. [DURATION.] (a) Except as provided in paragraph (b), the tax incentives described in subdivision 1, clauses (1), (2), and (4), are available for no more than 12 consecutive taxable years for any taxpayer that claims them. The tax incentives described in subdivision 1, clause (3), are available for each taxpayer that claims them for taxes otherwise payable on transactions during a period of 12 years from the date when the first exemption is claimed by that taxpayer under each exemption. No exemptions described in subdivision 1, clauses (1) to (4), are available after December 31, 2020.

(b) For taxpayers that are freight forwarders, the durations provided under paragraph (a) are reduced to six years.

Subd. 3. [QUALIFICATION.] To receive the tax incentives under this section, a qualified business must, by December 31 of each year, certify to the commissioner of revenue the percentage of its business activity within the zone that constitutes international business activity for the year, measured by value or volume of activity. If the percentage is less than 100 percent, the amount of the tax benefits provided under sections 290.06, subdivision 32, 290.0681, and 469.327 are reduced in proportion to the percentage of business activity that is not international business activity. The commissioner of revenue may audit the business activities of a qualifying business to determine its eligibility for tax benefits under this section.

Sec. 11. [469.327] [JOBS CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) \$30,000 multiplied by the number of full-time equivalent employees that the qualified business employs in the international economic development zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero.

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

(b) "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the zone designation took effect.

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds \$70,000.

Subd. 3. [INFLATION ADJUSTMENT.] For taxable years beginning after December 31, 2005, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. [APPROPRIATION.] An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 12. [469.328] [REPAYMENT OF TAX BENEFITS.]

Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay the amount of the tax reduction received under section 469.324, subdivision 1, clauses (1) to (4), and refund received under section 469.327, during the two years immediately before it ceased to operate in the zone, if the person ceased to operate its facility located within the zone or otherwise ceases to be or is not a qualified business.

Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be paid to the state to the extent it represents a state tax reduction. Any amount repaid to the state must be deposited in the general fund. Any repayment of local sales or use taxes must be repaid to the jurisdiction imposing the local sales or use tax.

Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a person must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to be a qualified business. The amount required to be repaid is determined by calculating the tax for the period for which repayment is required without regard to the tax reductions allowed under section 469.324.

(b) The provisions of chapters 270 and 289A relating to the commissioner of revenue's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraph (a). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270.75, from 30 days after ceasing to do business in the zone until the date the tax is paid.

(c) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the person had not been entitled to the tax reduction.

(d) The commissioner of revenue may assess the repayment of taxes under paragraph (b) at any time within two years after the person ceases to be a qualified business, or within any period of limitations for the assessment of tax under section 289A.38, whichever is later.

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

Sec. 13. [DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT STUDY; INTERNATIONAL AIR FREIGHT.]

The commissioner of employment and economic development must study and analyze the issue of whether the state would benefit from more than one international economic development zone as defined in Minnesota Statutes, section 469.321. The commissioner shall solicit input on the issue from businesses, communities, and economic development organizations. The commissioner must report the results of the study and analysis to the committees of the legislature having jurisdiction over economic development issues by December 1, 2004, along with any legislative recommendations.

ARTICLE 8

MISCELLANEOUS

Section 1. Minnesota Statutes 2002, section 15.06, subdivision 6, is amended to read:

Subd. 6. [GENERAL POWERS OF COMMISSIONERS.] Except as otherwise expressly provided by law, a commissioner shall have the following powers:

(1) to delegate to any subordinate employee the exercise of specified statutory powers or duties as the commissioner may deem advisable, subject to the commissioner's control; provided, that every delegation shall be made by written order, filed with the secretary of state; and further provided that only a deputy commissioner may have all the powers or duties of the commissioner. A commissioner who delegates the exercise of identical powers or duties to ten or more subordinate employees, may combine the delegation to these employees in one written order. A delegation of authority granted by a commissioner remains in effect until revoked by the commissioner, revoked by a successor commissioner, or termination of the employees' employment. A successor commissioner may continue to grant the same delegations of authority that were granted by a previous commissioner, by issuing a written order that is filed with the secretary of state and lists the names of the subordinate employees that have orders of delegations of authority, the date the order was signed, and the date the order was filed with the secretary of state;

(2) to appoint all subordinate employees and to prescribe their duties; provided, that all departments and agencies shall be subject to the provisions of chapter 43A;

(3) with the approval of the commissioner of administration, to organize the department or agency as deemed advisable in the interest of economy and efficiency; and

(4) to prescribe procedures for the internal management of the department or agency to the extent that the procedures do not directly affect the rights of or procedure available to the public.

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

Sec. 2. Minnesota Statutes 2003 Supplement, section 270.30, subdivision 8, is amended to read:

Subd. 8. ~~[EXEMPTIONS; ENFORCEMENT PROVISIONS.]~~ The provisions of ~~subdivisions 6 and 7~~ this section, except for subdivision 4, do not apply to:

- (1) an attorney admitted to practice under section 481.01;
- (2) a certified public accountant holding a certificate under section 326A.04 or a person issued a permit to practice under section 326A.05;
- (3) a person designated as a registered accounting practitioner under Minnesota Rules, part 1105.6600, or a registered accounting practitioner firm issued a permit under Minnesota Rules, part 1105.7100;
- (4) an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; and
- (5) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, the testator, trustor, grantor, or beneficiaries of them;
- (6) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;
- (7) a person who provides tax preparation services to a spouse, parent, grandparent, child, or sibling; and
- (8) an employee who provides tax preparation services for an employer.

Sec. 3. [270.772] [MINIMUM DOLLAR REQUIREMENT FOR ELECTRONIC PAYMENT OF TAXES AND FEES.]

Unless a requirement to make payments electronically regardless of dollar amount is provided for by law for a specific type of tax, fee, or surcharge, or for a group of taxpayers or payors, payments of every tax, fee, or surcharge administered by and payable to the commissioner in a calendar year, including deposits and estimated payments, must be remitted electronically if the liability of the taxpayer or payor for the tax, fee, or surcharge in the preceding fiscal year ending June 30 is \$20,000 or more. This section does not apply to individual income, estate, and airflight property taxes.

[EFFECTIVE DATE.] This section is effective for payments due in calendar year 2005, and in calendar years thereafter, based on liabilities incurred in fiscal year ending June 30, 2004, and in fiscal years thereafter.

Sec. 4. Minnesota Statutes 2003 Supplement, section 289A.08, subdivision 16, is amended to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than 500 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means. "Tax refund or return preparer" does not include (i) an organization that meets the requirements of section 501(c)(3) of the Internal Revenue Code or (ii) an individual hired by such an organization for the purpose of preparing tax returns.

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

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

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

(e) For each return that is not filed electronically by a tax refund or return preparer under this

subdivision, including returns filed under paragraph (d), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

[EFFECTIVE DATE.] This section is effective for returns filed for tax years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2002, section 289A.12, subdivision 3, is amended to read:

Subd. 3. [RETURNS OR REPORTS BY PARTNERSHIPS, FIDUCIARIES, AND S CORPORATIONS.] (a) Partnerships must file a return with the commissioner for each taxable year. The return must conform to the requirements of section 290.311, and must include the names and addresses of the partners entitled to a distributive share in their taxable net income, gain, loss, or credit, and the amount of the distributive share to which each is entitled. A partnership required to file a return for a partnership taxable year must furnish a copy of the information required to be shown on the return to a person who is a partner at any time during the taxable year, on or before the day on which the return for the taxable year was filed. A partnership with more than 100 partners that is required to file a federal partnership return electronically under Code of Federal Regulations, title 26, section 301.6011-3 (2003), must also file the return due under this section electronically. If a return required to be filed electronically is filed on paper, the return is still valid but a penalty of \$50 for each partner over 100 partners is imposed for failing to file electronically. The commissioner may waive the penalty if the partnership can demonstrate that filing the return electronically creates a hardship.

(b) The fiduciary of an estate or trust making the return required to be filed under section 289A.08, subdivision 2, for a taxable year must give a beneficiary who receives a distribution from the estate or trust with respect to the taxable year or to whom any item with respect to the taxable year is allocated, a statement containing the information required to be shown on the return, on or before the date on which the return was filed.

(c) An S corporation must file a return with the commissioner for a taxable year during which an election under section 290.9725 is in effect, stating specifically the names and addresses of the persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by a shareholder at all times during the taxable year, the shareholder's pro rata share of each item of the corporation for the taxable year, and other information the commissioner requires. An S corporation required to file a return under this paragraph for any taxable year must furnish a copy of the information shown on the return to the person who is a shareholder at any time during the taxable year, on or before the day on which the return for the taxable year was filed.

(d) The partnership or S corporation return must be signed by someone designated by the partnership or S corporation.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2002, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.] (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under

section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the safe harbor or de minimis rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

~~(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit for wages paid in the subsequent calendar year by electronic means.~~

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

[EFFECTIVE DATE.] This section is effective for payments due in calendar year 2005, and in calendar years thereafter, based upon liabilities incurred in fiscal year ending June 30, 2004, and in fiscal years thereafter.

Sec. 7. Minnesota Statutes 2003 Supplement, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 85 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

~~(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 85 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.~~

[EFFECTIVE DATE.] This section is effective for payments due in calendar year 2005, and in calendar years thereafter, based upon liabilities incurred in fiscal year ending June 30, 2004, and in fiscal years thereafter.

Sec. 8. Minnesota Statutes 2002, section 297F.01, is amended by adding a subdivision to read:

Subd. 10a. [OUT OF STATE RETAILER.] "Out of state retailer" means a person engaged outside of this state in the business of selling, or offering to sell, cigarettes or tobacco products to consumers located in this state.

Sec. 9. [297F.031] [REGISTRATION REQUIREMENT.]

Prior to making delivery sales or shipping cigarettes or tobacco products in connection with any sales, an out of state retailer shall file with the Department of Revenue a statement setting forth the out of state retailer's name, trade name, and the address of the out of state retailer's principal place of business and any other place of business.

Sec. 10. Minnesota Statutes 2002, section 297F.09, is amended by adding a subdivision to read:

Subd. 4a. [REPORTING REQUIREMENTS.] No later than the 18th day of each calendar month, an out of state retailer that has made a delivery of cigarettes or tobacco products or shipped or delivered cigarettes or tobacco products into the state in a delivery sale in the previous calendar month shall file with the Department of Revenue reports in the form and in the manner prescribed by the commissioner of revenue that provides for each delivery sale, the name and address of the purchaser and the brand or brands and quantity of cigarettes or tobacco products sold. A tobacco retailer that meets the requirements of United States Code, title 15, section 375 et seq. satisfies the requirements of this subdivision.

Sec. 11. Minnesota Statutes 2002, section 297I.01, is amended by adding a subdivision to read:

Subd. 6a. [DIRECT BUSINESS.] (a) "Direct business" means all insurance provided by an insurance company or its agents, and specifically includes stop-loss insurance purchased in connection with a self-insurance plan for employee health benefits or for other purposes, but excludes:

(1) reinsurance in which an insurance company assumes the liability of another insurance company; and

(2) self-insurance.

(b) For purposes of this subdivision, an insurance company includes a nonprofit health service corporation, health maintenance organization, and community integrated service network.

[EFFECTIVE DATE.] This section is effective for insurance premiums received after December 31, 2004.

Sec. 12. Minnesota Statutes 2002, section 297I.05, subdivision 4, is amended to read:

Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A tax is imposed on mutual insurance companies that sell both property and casualty ~~companies~~ insurance that had total assets greater than \$5,000,000 at the end of the calendar year but that had total assets less than \$1,600,000,000 on December 31, 1989. The rate of tax is equal to:

(1) ~~two percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year; and~~

(2) 1.26 percent of gross premiums less return premiums on all ~~other~~ direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year, except for life insurance as provided in subdivision 14.

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2004.

Sec. 13. Minnesota Statutes 2002, section 297I.05, is amended by adding a subdivision to read:

Subd. 14. [LIFE INSURANCE.] A tax is imposed on life insurance. The rate of tax equals 1.50 percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year.

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2004.

Sec. 14. Minnesota Statutes 2002, section 298.01, subdivision 3, is amended to read:

Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person engaged in the business of mining or producing ores in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), and 290.17, subdivision 4, and 290.191, subdivision 2, do not apply. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

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

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

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

The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 15. Minnesota Statutes 2002, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), and 290.17, subdivision 4, and 290.191, subdivision 2, do not apply. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

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

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

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this

state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 16. [325D.125] [EMPLOYERS NOT TO MISREPRESENT STATUS OF EMPLOYEES.]

Subdivision 1. [MISREPRESENTATION PROHIBITED.] No employer shall misrepresent the nature of its employment relationship with its employees to any federal, state, or local government unit, to other employers or to its employees. An employer misrepresents the nature of its employment relationship with its employees if it makes any statement regarding the nature of the relationship that the employer does not in good faith believe to be true or if it fails to report individuals as employees when legally required to do so.

Subd. 2. [EMPLOYEE COERCION PROHIBITED.] No employer shall require or request any employee to enter into any agreement, or sign any document, that results in misclassification of the employee as an independent contractor or otherwise does not accurately reflect the employment relationship with the employer.

Subd. 3. [VIOLATIONS.] Any court finding any person guilty of violating this section shall transmit a copy of the documentation of the finding of guilt to the commissioner of labor and industry. The commissioner of labor and industry shall report the finding of guilt to relevant state and federal agencies, including at least the commissioner of commerce, the commissioner of economic security, the commissioner of revenue, the federal Internal Revenue Service, and the United States Department of Labor.

Sec. 17. [325F.781] [REQUIREMENTS; TOBACCO PRODUCT DELIVERY SALES.]

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given, unless the language or context clearly provides otherwise.

(b) "Consumer" means an individual who purchases, receives, or possesses tobacco products for personal consumption and not for resale.

(c) "Delivery sale" means:

(1) a sale of tobacco products to a consumer in this state when:

(i) the purchaser submits the order for the sale by means of a telephonic or other method of voice transmission, the mail or any other delivery service, or the Internet or other on-line service;
or

(ii) the tobacco products are delivered by use of the mail or other delivery service; or

(2) a sale of tobacco products that satisfies the criteria in clause (1), item (i), regardless of whether the seller is located inside or outside of the state.

A sale of tobacco products to an individual in this state must be treated as a sale to a consumer, unless the individual is licensed as a distributor or retailer of tobacco products.

(d) "Delivery service" means a person, including the United States Postal Service, that is engaged in the commercial delivery of letters, packages, or other containers.

(e) "Distributor" means a person, whether located inside or outside of this state, other than a retailer, who sells or distributes tobacco products in the state. Distributor does not include a tobacco products manufacturer, export warehouse proprietor, or importer with a valid permit under United States Code, title 26, section 5712 (1997), if the person sells or distributes tobacco

products in this state only to distributors who hold valid and current licenses under the laws of a state, or to an export warehouse proprietor or another manufacturer. Distributor does not include a common or contract carrier that is transporting tobacco products under a proper bill of lading or freight bill that states the quantity, source, and destination of tobacco products, or a person who ships tobacco products through this state by common or contract carrier under a bill of lading or freight bill.

(f) "Retailer" means a person, whether located inside or outside this state, who sells or distributes tobacco products to a consumer in this state.

(g) "Tobacco products" means:

(1) cigarettes, as defined in section 297F.01, subdivision 3; and

(2) smokeless tobacco as defined in section 325F.76.

Subd. 2. [REQUIREMENTS FOR ACCEPTING ORDER FOR DELIVERY SALE.] (a) This subdivision applies to acceptance of an order for a delivery sale of tobacco products.

(b) When accepting the first order for a delivery sale from a consumer, the tobacco retailer shall obtain the following information from the person placing the order:

(1) a copy of a valid government-issued document that provides the person's name, current address, photograph, and date of birth; and

(2) an original written statement signed by the person documenting that the person:

(i) is of legal age to purchase tobacco products in the state;

(ii) has made a choice whether to receive mailings from a tobacco retailer;

(iii) understands that providing false information may be a violation of law; and

(iv) understands that it is a violation of law to purchase tobacco products for subsequent resale or for delivery to persons who are under the legal age to purchase tobacco products.

(c) If an order is made as a result of advertisement over the Internet, the tobacco retailer shall request the e-mail address of the purchaser and shall receive payment by credit card or check prior to shipping.

(d) Prior to shipping the tobacco products, the tobacco retailer shall verify the information provided under paragraph (b) against a commercially available database. Any such database or databases may also include age and identity information from other government or validated commercial sources, if that additional information is regularly used by government and businesses for the purpose of identity verification and authentication, and if the additional information is used only to supplement and not to replace the government-issued identification data in the age and identity verification process.

Subd. 3. [REQUIREMENTS FOR SHIPPING A DELIVERY SALE.] (a) This subdivision applies to a tobacco retailer shipping tobacco products pursuant to a delivery sale.

(b) The tobacco retailer shall clearly mark the outside of the package of tobacco products to be shipped "tobacco products - adult signature required" and to show the name of the tobacco retailer.

(c) The tobacco retailer shall utilize a delivery service that imposes the following requirements:

(1) an adult must sign for the delivery; and

(2) the person signing for the delivery must show valid government-issued identification that contains a photograph of the person signing for the delivery and indicates that the person signing for the delivery is of legal age to purchase tobacco products and resides at the delivery address.

(d) The retailer must provide delivery instructions that clearly indicate the requirements of this subdivision and must declare that state law requires compliance with the requirements.

(e) No criminal penalty may be imposed on a person for a violation of this section other than a violation described in paragraph (f) or (g). Whenever it appears to the commissioner that any person has engaged in any act or practice constituting a violation of this section, and the violation is not within two years of any previous violation of this section, the commissioner shall issue and cause to be served upon the person an order requiring the person to cease and desist from violating this section. The order must give reasonable notice of the rights of the person to request a hearing and must state the reason for the entry of the order. Unless otherwise agreed between the parties, a hearing shall be held not later than seven days after the request for the hearing is received by the commissioner after which and within 20 days after the receipt of the administrative law judge's report and subsequent exceptions and argument, the commissioner shall issue an order vacating the cease and desist order, modifying it, or making it permanent as the facts require. If no hearing is requested within 30 days of the service of the order, the order becomes final and remains in effect until modified or vacated by the commissioner. All hearings shall be conducted in accordance with the provisions of chapter 14. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person shall be deemed in default, and the proceeding may be determined against the person upon consideration of the cease and desist order, the allegations of which may be deemed to be true.

(f) Any person who violates this section within two years of a violation for which a cease and desist order was issued under paragraph (e), is guilty of a misdemeanor.

(g) Any person who commits a third or subsequent violation of this section, including a violation for which a cease and desist order was issued under paragraph (c), within any subsequent two-year period is guilty of a gross misdemeanor.

Subd. 4. [COMMON CARRIERS.] This section may not be construed as imposing liability upon any common carrier, or officers or employees of the common carrier, when acting within the scope of business of the common carrier.

Subd. 5. [REGISTRATION REQUIREMENT.] Prior to making delivery sales or shipping tobacco products in connection with any sales, an out of state retailer must meet the requirements of section 297F.031.

Subd. 6. [COLLECTION OF TAXES.] (a) Prior to shipping any tobacco products to a purchaser in this state, the out of state retailer shall comply with all requirements of chapter 297F and shall ensure that all state excise taxes and fees that apply to such tobacco products have been collected and paid to the state and that all related state excise tax stamps or other indicators of state excise tax payment have been properly affixed to those tobacco products.

(b) In addition to any penalties under chapter 297F, a distributor who fails to pay any tax due according to paragraph (a) shall pay, in addition to any other penalty, a penalty of 50 percent of the tax due but unpaid.

Subd. 7. [APPLICATION OF STATE LAWS.] All state laws that apply to in-state tobacco product retailers shall apply to Internet and mail-order sellers that sell into this state.

Subd. 8. [FORFEITURE.] Any tobacco product sold or attempted to be sold in a delivery sale that does not meet the requirements of this section is deemed to be contraband and is subject to forfeiture in the same manner as and in accordance with the provisions of section 297F.21.

Subd. 9. [CIVIL PENALTIES.] A tobacco retailer or distributor who violates this section or rules adopted under this section is subject to the following fines:

- (1) for the first violation, a fine of not more than \$1,000; and
- (2) for the second and any subsequent violation, a fine of not more than \$5,000.

Subd. 10. [ENFORCEMENT.] The attorney general may bring an action to enforce this section

and may seek injunctive relief, including a preliminary or final injunction, and fines, penalties, and equitable relief and may seek to prevent or restrain actions in violation of this section by any person or any person controlling such person. In addition, a violation of this section is a violation of the Unlawful Trade Practices Act, sections 325D.09 to 325D.16.

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

Sec. 18. Minnesota Statutes 2003 Supplement, section 469.335, is amended to read:

469.335 [APPLICATION FOR TAX BENEFITS.]

(a) To claim a tax credit or exemption against a state tax under section 469.336, clauses (2) through (5), a business must apply to the commissioner for a tax credit certificate. As a condition of its application, the business must agree to furnish information to the commissioner that is sufficient to verify the eligibility for any credits or exemptions claimed. The total amount of the state tax credits and exemptions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the commissioner to the business. The commissioner must verify to the commissioner of revenue the amount of tax exemptions or credits for which each business is eligible.

(b) A tax credit certificate issued under this section may specify the particular tax exemptions or credits against a state tax that the qualified business is eligible to claim under section 469.336, clauses (2) through (5), and the amount of each exemption or credit allowed.

(c) The commissioner may issue \$1,000,000 of tax credits or exemptions in fiscal year 2004. ~~Any tax credits or exemptions not awarded in fiscal year 2004 may be awarded in fiscal year 2005.~~ The commissioner may not award any additional tax credits after June 30, 2004.

(d) A qualified business must use the tax credits or tax exemptions granted under this section by the later of the end of the state fiscal year or the taxpayer's tax year in which the credits or exemptions are granted.

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

Sec. 19. [469.342] [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY GRANTS.]

Subdivision 1. [GRANT ELIGIBILITY.] The commissioner shall make grants to eligible businesses in the biotechnology and health sciences industry to support the startup and growth of biotechnology and health sciences businesses. An eligible business is a business that:

(1) is engaged primarily in:

(i) researching, developing, and/or manufacturing a biotechnology product or service or a biotechnology-related health sciences product or service;

(ii) researching, developing, and/or manufacturing a biotechnology medical device product or service or a biotechnology-related medical device product or service; or

(iii) promoting, supplying, or servicing businesses involved in clause (1) or (2), if the business derives more than 50 percent of its gross receipts from those activities;

(2) pledges that the business will increase full-time employment in high-paying jobs by at least 20 percent in the first full year of operation after a grant is awarded;

(3) shows a viable link between a higher education/research institution and the business activities of the biotechnology or health sciences business; and

(4) agrees to treat a grant awarded under this section as a business subsidy under sections 116J.993 to 116J.995, and to comply with the requirements of that law.

Subd. 2. [AMOUNT AND LIMITATIONS OF GRANTS.] The commissioner may award grants in fiscal year 2007. The total of the grants in aggregate may not exceed \$5,000,000.

Subd. 3. [APPLICATION AND AWARD OF GRANTS.] A biotechnology and health sciences business must apply for grants under this section following the procedures established by the commissioner. To be eligible for a grant, a business must demonstrate to the commissioner that it meets the requirements under subdivision 1, and provide any information required by the commissioner to determine eligibility. All applications must be received on or before October 1 of each year that grants may be awarded, and the commissioner must advise each applicant on or before December 31 of that year that a grant is awarded or an explanation why a grant is not awarded.

[EFFECTIVE DATE.] This section is effective July 1, 2004.

Sec. 20. [473.24] [POPULATION ESTIMATES.]

(a) The Metropolitan Council shall prepare an estimate of population and of the number of households for each city and town in the metropolitan area annually and convey the estimates to the governing body of each city or town by June 1 of each year. In the case of a city or town that is located partly within and partly without the metropolitan area, the Metropolitan Council shall estimate the proportion of the total population and number of households that reside within the area. The Metropolitan Council may prepare an estimate of the population and of the number of households for any other political subdivision located in the metropolitan area.

(b) A governing body of a city or town may challenge an estimate made under this section by making its specific objections to the Metropolitan Council by June 24. If the challenge does not result in an acceptable estimate, the governing body may have a special census conducted by the United States Bureau of the Census. The Metropolitan Council shall certify the population estimates to the commissioner of revenue by July 15. The political subdivision must notify the Metropolitan Council on or before July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the Metropolitan Council by the next May 15 to be used in that year's June 1 estimate under this section.

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

Sec. 21. Minnesota Statutes 2002, section 473.843, subdivision 3, is amended to read:

Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

~~An operator having a fee of \$120,000 or more during a fiscal year ending June 30 must pay all fees in the subsequent calendar year by electronic means.~~

[EFFECTIVE DATE.] This section is effective for payments due in calendar year 2005, and in calendar years thereafter, based upon liabilities incurred in fiscal year ending June 30, 2004, and in fiscal years thereafter.

Sec. 22. Minnesota Statutes 2002, section 473F.02, subdivision 7, is amended to read:

~~Subd. 7. [POPULATION.] "Population" means the most recent estimate of the population of a municipality made by the Metropolitan Council under section 473.24 and filed with the commissioner of revenue as of July 15 of the year in which a municipality's distribution net tax capacity is calculated. The council shall annually estimate the population of each municipality as of a date which it determines and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall promptly thereafter file its estimates with the commissioner of revenue.~~

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

Sec. 23. Minnesota Statutes 2002, section 477A.011, subdivision 3, is amended to read:

Subd. 3. [POPULATION.] "Population" means the population estimated or established as of

July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year, and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. The term "per capita" refers to population as defined by this subdivision. No changes in population will be recognized for the purposes of sections 477A.011 to 477A.014 after July 15 of the aid calculation year. Clerical errors in the certification or use of the estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

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

Sec. 24. Minnesota Statutes 2002, section 480B.01, subdivision 1, is amended to read:

Subdivision 1. [JUDICIAL VACANCIES.] If a judge of the district court or, Workers' Compensation Court of Appeals, or Tax Court dies, resigns, retires, or is removed during the judge's term of office, or if a new district or, Workers' Compensation Court of Appeals, or Tax Court judgeship is created, the resulting vacancy must be filled by the governor as provided in this section.

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

Sec. 25. Minnesota Statutes 2002, section 480B.01, subdivision 10, is amended to read:

Subd. 10. [NOTICE TO THE PUBLIC.] Upon receiving notice from the governor that a judicial vacancy has occurred or will occur on a specified date, the chair shall provide notice of the following information:

- (1) the office that is or will be vacant;
- (2) that applications from qualified persons or on behalf of qualified persons are being accepted by the commission;
- (3) that application forms may be obtained from the governor or the commission at a named address; and
- (4) that application forms must be returned to the commission by a named date.

For a district court vacancy, the notice must be made available to attorney associations in the judicial district where the vacancy has occurred or will occur and to at least one newspaper of general circulation in each county in the district. For a Workers' Compensation Court of Appeals or Tax Court vacancy, the notice must be given to state attorney associations and all forms of the public media.

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

Sec. 26. [COMPACTS; RETALIATORY TAXES.]

The commissioner is authorized to enter into compact agreements with other states for the purpose of eliminating retaliatory insurance premiums tax provisions between this state and other states. The commissioner shall report to the chairpersons of the house and senate tax committees, on or before February 1, 2005, on the actions the commissioner has taken to enter into compact agreements with other states.

Sec. 27. [APPROPRIATION.]

(a) The amounts necessary to award grants as provided in Minnesota Statutes, section 469.342, shall be appropriated to the commissioner of employment and economic development from the general fund.

(b) \$3,000,000 is appropriated to the Department of Revenue from fiscal year 2005 and each

year thereafter, in addition to any other appropriation provided under law. This money must be used for operation of the department.

Sec. 28. [REPEALER.]

(a) Minnesota Statutes 2002, sections 289A.26, subdivision 2a; 289A.60, subdivision 21; 295.55, subdivision 4; 295.60, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.35, subdivision 2; and 297I.85, subdivision 7, are repealed.

(b) Minnesota Statutes 2003 Supplement, section 270.30, subdivision 1, is repealed.

[EFFECTIVE DATE.] Paragraph (a) of this section is effective for payments due in calendar year 2005, and in calendar years thereafter, based upon liabilities incurred in fiscal year ending June 30, 2004, and in fiscal years thereafter. Paragraph (b) is effective the day following final enactment.

ARTICLE 9

DEPARTMENT OF REVENUE POLICY PROVISIONS

Section 1. Minnesota Statutes 2002, section 16D.10, is amended to read:

16D.10 [CASE REVIEWER.]

Subdivision 1. [DUTIES.] The commissioner shall make a case reviewer available to debtors. The reviewer must be available to answer a debtor's questions concerning the collection process and to review the collection activity taken. If the reviewer reasonably believes that the particular action being taken is unreasonable or unfair, the reviewer may make recommendations to the commissioner in regard to the collection action.

Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On application filed by a debtor with the case reviewer, in the form, manner, and in the time prescribed by the commissioner, and after thorough investigation, the case reviewer may issue a debtor assistance order if, in the determination of the case reviewer, the manner in which the state debt collection laws are being administered is creating or will create an unjust and inequitable result for the debtor. Debtor assistance orders are governed by the provisions relating to taxpayer assistance orders under section 270.273.

Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.] All duties and authority of the case reviewer under subdivisions 1 and 2 are transferred to the taxpayer rights advocate.

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

Sec. 2. Minnesota Statutes 2002, section 270.02, subdivision 3, is amended to read:

Subd. 3. [POWERS, ORGANIZATION, ASSISTANTS.] Subject to the provisions of this chapter and other applicable laws the commissioner shall have power to organize the department with such divisions and other agencies as the commissioner deems necessary and to appoint one deputy commissioner, a department secretary, directors of divisions, and such other officers, employees, and agents as the commissioner may deem necessary to discharge the functions of the department, define the duties of such officers, employees, and agents, and delegate to them any of the commissioner's powers or duties, subject to the commissioner's control and under such conditions as the commissioner may prescribe. Appointments to exercise delegated power to sign documents which require the signature of the commissioner or a delegate by law shall be by written order filed with the secretary of state as provided under section 15.06, subdivision 6. The delegations of authority granted by the commissioner remain in effect until revoked by the commissioner or a successor commissioner.

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

Sec. 3. [270.0611] [SUFFICIENCY OF NOTICE OF DETERMINATION OR ACTION OF COMMISSIONER OF REVENUE.]

When a method of notification of a written determination or action of the commissioner is not specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or if a corporation being notified has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

[EFFECTIVE DATE.] This section is effective for notices sent on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2002, section 270.69, subdivision 4, is amended to read:

Subd. 4. **[PERIOD OF LIMITATIONS.]** The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax or final administrative or judicial determination of the assessment. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

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

Sec. 5. Minnesota Statutes 2002, section 270B.01, subdivision 8, is amended to read:

Subd. 8. **[MINNESOTA TAX LAWS.]** For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means:

(1) the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 295, 297A, and 297H, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees; and

(2) section 273.1315.

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

Sec. 6. Minnesota Statutes 2003 Supplement, section 270B.12, subdivision 13, is amended 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, and the names and addresses of qualified applicants.

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

Sec. 7. Minnesota Statutes 2002, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **[JOINT INCOME TAX RETURNS.]** (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities

reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

[EFFECTIVE DATE.] This section is effective for requests for relief made on or after the day following final enactment.

Sec. 8. Minnesota Statutes 2002, section 289A.56, is amended by adding a subdivision to read:

Subd. 7. [BIOTECHNOLOGY AND BORDER CITY ZONE REFUNDS.] Notwithstanding subdivision 3, for refunds payable under sections 297A.68, subdivision 38, and 469.1734, subdivision 6, interest is computed from 90 days after the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for refund claims filed on or after July 1, 2004.

Sec. 9. Minnesota Statutes 2003 Supplement, 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 ~~(1)~~ (2), 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 or 469.339;

(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 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 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 for tax years beginning after December 31, 2003.

Sec. 10. Minnesota Statutes 2002, section 290.9705, subdivision 1, is amended to read:

Subdivision 1. [WITHHOLDING OF PAYMENTS TO OUT-OF-STATE CONTRACTORS.]

(a) In this section, "person" means a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota.

(b) A person who in the regular course of business is hiring, contracting, or having a contract with a nonresident person or foreign corporation, as defined in Minnesota Statutes 1986, section 290.01, subdivision 5, to perform construction work in Minnesota, shall deduct and withhold eight percent of every payment cumulative calendar year payments to the contractor ~~if the contract exceeds or can reasonably be expected to exceed \$100,000~~ which exceed \$50,000.

[EFFECTIVE DATE.] This section is effective for payments made after December 31, 2004.

Sec. 11. Minnesota Statutes 2003 Supplement, 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 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 when the state of Minnesota, any local government unit, or any other entity which has the right of eminent domain acquires title or possession to the land for a public purpose notwithstanding the provisions of this section.~~ In the case of such acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant. All other enrolled land must remain in the program.

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

Sec. 12. Minnesota Statutes 2002, section 469.1734, subdivision 6, is amended to read:

Subd. 6. [SALES TAX EXEMPTION; EQUIPMENT; CONSTRUCTION MATERIALS.] (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:

(1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or

(2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735. The amount to be refunded shall bear interest at the rate in section 270.76 from 90 days after the date the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for refund claims filed on or after July 1, 2004.

Sec. 13. Minnesota Statutes 2003 Supplement, section 469.310, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a place of business located within a job opportunity building zone. A person is a qualified business only on those parcels of land for which it has entered into a business subsidy agreement, as required under section 469.313, with the appropriate local government unit in which the parcels are located.

(b) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the job opportunity building zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

[EFFECTIVE DATE.] This section is effective retroactively from June 9, 2003.

Sec. 14. Minnesota Statutes 2003 Supplement, section 469.330, subdivision 11, is amended to read:

Subd. 11. **[QUALIFIED BUSINESS.]** (a) "Qualified business" means a person carrying on a trade or business at a biotechnology and health sciences industry facility located within a biotechnology and health sciences industry zone. A person is a qualified business only on those parcels of land for which it has entered into a business subsidy agreement, as required under section 469.333, with the appropriate local government unit in which the parcels are located.

(b) A person that relocates a biotechnology and health sciences industry facility from outside a biotechnology and health sciences industry zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the biotechnology and health sciences industry zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.336 to the business under the procedures in section 469.340, if the requirements of clause (1) are not met; and

(iii) contains any other terms the commissioner determines appropriate.

[EFFECTIVE DATE.] This section is effective retroactively from June 9, 2003.

Sec. 15. Minnesota Statutes 2003 Supplement, section 469.337, is amended to read:

469.337 **[CORPORATE FRANCHISE TAX EXEMPTION.]**

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations of a qualified business within the biotechnology and health sciences industry zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding zone property and payroll in the zone from the computations of the fee. The qualified business is exempt from the minimum fee if all of its property is located in the zone and all of its payroll is zone payroll.

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's biotechnology and health sciences industry zone payroll and the adjusted basis of the property at the time that the property is first used in the biotechnology and health sciences industry zone by the corporation.

(c) No reduction in tax is allowed in excess of the amount allocated under section 469.335.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 16. [REPEALER.]

Laws 1975, chapter 287, section 5, and Laws 2003, chapter 127, article 9, section 9, subdivision 4, are repealed.

[EFFECTIVE DATE.] This section is effective without local approval for taxes payable in 2005 and thereafter.

ARTICLE 10

MINERALS; AGGREGATE

Section 1. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY USED IN THE BUSINESS OF MINING SUBJECT TO THE NET PROCEEDS TAX.] The following property used in the business of mining subject to the net proceeds tax under section 298.015 is exempt:

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

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

(3) concentrate or direct reduced ore.

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

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

Sec. 2. Minnesota Statutes 2002, section 290.05, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT ENTITIES.] The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining or, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 3. Minnesota Statutes 2002, section 290.17, subdivision 4, is amended to read:

Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, ~~or~~ income of an investment company determined under section 290.36, or income of a mine or mineral processing facility subject to tax under section 298.01.

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

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

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

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 60A.077.

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

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

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

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

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

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

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

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

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

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

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

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

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 4. Minnesota Statutes 2002, section 290.191, subdivision 1, is amended to read:

Subdivision 1. **[GENERAL RULE.]** (a) Except as otherwise provided in section 290.17, subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section. To the extent that an entity is exempt from taxation under this chapter as provided in section 290.05, the apportionment factors associated with the entity's exempt activities are excluded from the apportionment formula under this section.

(b) For purposes of this section, "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2002, section 297A.68, subdivision 4, is amended to read:

Subd. 4. **[TACONITE, OTHER ORES, METALS, OR MINERALS; PRODUCTION MATERIALS.]** Mill liners, grinding rods, and grinding balls that are substantially consumed in the production of taconite or other ores, metals, or minerals are exempt when sold to or stored, used, or consumed by persons taxed under the in-lieu provisions of chapter 298.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 6. Minnesota Statutes 2002, section 298.001, is amended by adding a subdivision to read:

Subd. 9. [REFINING.] "Refining" means and is limited to refining:

(1) of ores, metals, or mineral products, the mining, extraction, or quarrying of which were subject to tax under section 298.015; and

(2) carried on by the entity, or an affiliated entity, that mined, extracted, or quarried the metal or mineral products.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2002, section 298.001, is amended by adding a subdivision to read:

Subd. 10. [PRECIOUS MINERALS TAX RELIEF AREA.] The "precious minerals tax relief area" means the area of the following Independent School Districts:

(1) No. 166, Cook County;

(2) No. 316, Coleraine;

(3) No. 318, Grand Rapids;

(4) No. 319, Nashwauk-Keewatin;

(5) No. 381, Lake Superior;

(6) No. 695, Chisholm;

(7) No. 696, Ely;

(8) No. 701, Hibbing;

(9) No. 706, Virginia;

(10) No. 712, Mountain Iron-Buhl;

(11) No. 2711, Mesabi East;

(12) No. 2142, St. Louis County; and

(13) No. 2154, Eveleth-Gilbert.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2002, section 298.01, subdivision 3, is amended to read:

Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4, do not apply. Except as provided in section 290.05, subdivision 1, paragraph (a), the tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 9. Minnesota Statutes 2002, section 298.01, subdivision 3a, is amended to read:

Subd. 3a. [GROSS INCOME.] (a) For purposes of determining a person's taxable income under subdivision 3, gross income is determined by the amount of gross proceeds from mining in this state under section 298.016 and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state.

(b) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals that are subject to tax under this chapter are deemed to be sales outside this state if the ores, metals, or minerals are transported out of this state for further processing or refining by the person engaged in mining after the ores, metals, or minerals have been converted to a marketable quality.

(c) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals that are subject to tax under this chapter are deemed to be sales within this state if the ores, metals, or minerals are received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, or other conditions of the sale, or the ultimate destination of the property.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 10. Minnesota Statutes 2002, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4, do not apply. The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 11. Minnesota Statutes 2002, section 298.015, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] A person engaged in the business of mining shall pay to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax equal to ~~two~~ four percent of the net proceeds from mining in Minnesota. The tax applies to all ~~mineral and energy resources~~ ores, metals, and minerals mined or, extracted, produced, or refined within the state of Minnesota except for sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore, and taconite concentrates. Except as provided in section 272.02, subdivision 68, the tax is in addition to all other taxes provided for by law.

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

Sec. 12. Minnesota Statutes 2002, section 298.015, subdivision 2, is amended to read:

Subd. 2. [NET PROCEEDS.] For purposes of this section, the term "net proceeds" means the gross proceeds from mining, as defined in section 298.016, less the same deductions allowed ~~in section 298.017 for purposes of determining taxable income under section 298.01, subdivision 3b.~~ No other credits or deductions shall apply to this tax except for those provided in section 298.017.

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

Sec. 13. Minnesota Statutes 2002, section 298.016, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] For the purposes of sections 298.015 and 298.017, the terms defined in this subdivision have the meaning given them unless the context clearly indicates otherwise.

(a) "Metal or mineral products" means all those ~~mineral and energy resources~~ ores, metals, and minerals subject to the tax provided in section 298.015.

(b) "Exploration" means activities designed and engaged in to ascertain the existence, location, extent, or quality of any deposit of metal or mineral products prior to the development of a mining site.

(c) "Development" means activities designed and engaged in to prepare or develop a potential mining site for mining after the existence of metal or mineral products in commercially marketable quantities has been disclosed including, but not limited to, the clearing of forestation, the building of roads, removal of overburden, or the sinking of shafts.

(d) "Research" means activities designed and engaged in to create new or improved methods of mining, producing, processing, beneficiating, smelting, or refining metal or mineral products.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 14. Minnesota Statutes 2002, section 298.018, as amended by Laws 2003, First Special Session chapter 21, article 11, sections 14, 15, is amended to read:

298.018 [DISTRIBUTION OF PROCEEDS.]

Subdivision 1. ~~[WITHIN THE TACONITE PRECIOUS MINERALS ASSISTANCE AREA.]~~ The proceeds of the tax paid under sections 298.015 to 298.017 on ores, metals, and minerals and energy resources mined or extracted within the taconite precious minerals assistance area defined in ~~section 273.1341~~, shall be allocated as follows:

(1) five percent to the city or town within which the ores, metals, or minerals ~~or energy resources~~ are mined or extracted;

(2) ten percent to the taconite municipal aid account to be distributed as ~~provided in section 298.282~~ to qualifying municipalities, as defined in section 298.282 and located in the precious mineral assistance area;

(3) ten percent to the school district within which the ores, metals, or minerals ~~or energy resources~~ are mined or extracted;

(4) ~~20~~ 30 percent to a ~~group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions~~ the state general fund to represent the portion of the tax that is in lieu of the state general tax under section 275.025;

(5) 20 percent to the county within which the ores, metals, or minerals ~~or energy resources~~ are mined or extracted;

(6) ~~20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;~~

(7) five percent to the Iron Range Resources and Rehabilitation Board for the purposes of section 298.22;

~~(8) five~~ (7) ten percent to the Douglas J. Johnson economic protection trust fund; and

~~(9) five~~ (8) ten percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Subd. 2. [OUTSIDE THE TACONITE PRECIOUS MINERALS ASSISTANCE AREA.] The

proceeds of the tax paid under sections 298.015 to 298.017 on ores, metals, or minerals and energy resources mined or extracted outside of the taconite precious minerals assistance area defined in section 273.1341, shall be deposited in the general fund.

Subd. 3. [SEGREGATION OF FUNDS.] The proceeds of the tax allocated under subdivision 1, clauses (2), (6), (7), and (8), including any investment earnings on them, must be segregated and separately accounted for in the respective funds or account to which they are allocated. These amount must only be distributed to municipalities within the precious minerals assistance area or used for projects located in the precious minerals assistance area.

[EFFECTIVE DATE.] This section is effective for distribution of net proceeds tax revenues made after July 1, 2004.

Sec. 15. [298.021] [ROYALTY TAX.]

In addition to any other taxes imposed by law, a tax is imposed on a royalty, as defined in section 290.923, subdivision 1, paid on ore, other than iron ore, taconite, iron sulphides, or semitaconite. The tax equals 12 percent of the amount of the royalty paid. The person paying the royalty shall withhold the tax from the payment and remit the payment to the commissioner at the times and under the procedures provided under section 290.923. The commissioner shall deposit proceeds in the general fund and allocate the proceeds as provided under section 298.018, subdivision 1.

[EFFECTIVE DATE.] This section is effective for royalties paid after June 30, 2004.

Sec. 16. Minnesota Statutes 2003 Supplement, section 298.223, subdivision 1, is amended to read:

Subdivision 1. [CREATION; PURPOSES.] A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within the taconite assistance area defined in section 273.1341, that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the Iron Range Resources and Rehabilitation Board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration, or reforestation of minelands not otherwise provided for by state law;

(c) ~~local economic development projects including construction of sewer and water systems, and other public works, including construction of sewer and water systems~~ located within the taconite assistance area defined in section 273.1341;

(d) monitoring of mineral industry related health problems among mining employees.

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

Sec. 17. Minnesota Statutes 2002, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 2001, 2002, and 2003, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in 2004 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding

year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) Except for taxes payable in 2004 through 2006, the tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for any year before the plant reaches the level of commercial production and for the first two years of a plant's commercial production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore per year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed under this section for the first two years of noncommercial production of direct reduced ore.

[EFFECTIVE DATE.] This section is effective for direct reduced ore produced after the date of final enactment.

Sec. 18. Minnesota Statutes 2003 Supplement, section 298.27, is amended to read:

298.27 [COLLECTION AND PAYMENT OF TAX.]

The taxes provided by section 298.24 shall be paid directly to each eligible county and the Iron Range Resources and Rehabilitation Board. The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February 15. Every person subject to taxes imposed by section 298.24 shall file a correct report covering the preceding year. The report must contain the information required by the commissioner. The report shall be filed by each producer on or before February 1. A remittance equal to 50 percent of the total tax required to be paid hereunder shall be paid on or before February 24. A remittance equal to 20 percent of the remaining total tax required to be paid hereunder shall be paid on or before the first days of April,

May, June, July, and August 24. On or before February 25 and August 25, the county auditor shall make distribution of the payments previously received by the county in the manner provided by section 298.28. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable rules as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such rules may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment and determination of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, but not including provisions for refunds, are applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein provided, the commissioner of revenue shall in such case, upon information possessed or obtained, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.

If any person responsible for making a tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

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

[EFFECTIVE DATE.] This section is effective for production payable beginning calendar year 2005.

Sec. 19. Minnesota Statutes 2002, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. ~~[TACONITE ECONOMIC DEVELOPMENT MINERAL PROCESSING AND ENERGY DEVELOPMENT ASSISTANCE FUND.]~~ (a) ~~30.1 cents per ton for distributions in 2002 2005 and thereafter must be paid to the taconite economic development fund mineral processing and energy development assistance fund under section 298.2962. No distribution shall be made under this paragraph in 2004 or any subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.~~

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the ~~taconite economic~~ mineral processing and energy development assistance fund under section 298.2962. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

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

Sec. 20. Minnesota Statutes 2002, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. ~~[TACONITE ENVIRONMENTAL FUND.]~~ Five cents per ton ~~for distributions in 1999, 2000, 2001, 2002, and 2003~~ must be paid to the taconite environmental fund for use under section 298.2961, subdivision 4.

[EFFECTIVE DATE.] This section is effective for distributions in 2004 and later years.

Sec. 21. Minnesota Statutes 2002, section 298.28, subdivision 10, is amended to read:

Subd. 10. **[INCREASE.]** Beginning with distributions in 2000 2005, except for the amount of the revenue increases provided in subdivision 4, paragraph (d), the amount determined under subdivision 9 shall be increased in the same proportion as of increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, is distributed to the taconite environmental protection fund under section 298.223. Beginning with distributions in 2003, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

Sec. 22. Minnesota Statutes 2002, section 298.2961, is amended by adding a subdivision to read:

Subd. 4. **[GRANT AND LOAN FUND.]** (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board, established under section 298.22.

(b) Distributions received in calendar year 2004 are allocated to the city of Virginia for improvements and repairs to the city's steam heating system.

(c) Distributions received in calendar year 2005 are allocated to a project of the public utilities commissions of the cities of Hibbing and Virginia to convert their electrical generating plants to the use of biomass products, such as wood.

(d) For distributions received in 2006 and later, amounts are to be allocated to joint ventures with mining companies for reclamation of lands containing abandoned or worked out mines to convert these lands to marketable properties for residential, recreational, commercial, or other valuable uses.

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

Sec. 23. [298.2962] **[MINERAL PROCESSING AND ENERGY DEVELOPMENT ASSISTANCE FUND.]**

Subdivision 1. **[CREATION OF FUND; DEPOSITS.]** The amount distributed under section 298.28, subdivision 9a, must be deposited by the commissioner of iron range resources and rehabilitation in a mineral processing and energy development assistance fund, which is created in this section. In this section, "commissioner" means the commissioner of iron range resources and rehabilitation.

Subd. 2. **[USE OF FUND.]** The commissioner shall use money in the fund to make grants, loans, or equity investments in mineral processing and energy generating facilities including, but not limited to, taconite processing, direct reduction processing, steel production, and energy generation facilities. Money in the fund may also be used to pay for the costs of carrying out the commissioner's due diligence duties under this section. Any grant, loan, or equity investment made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board.

Subd. 3. **[REQUIREMENTS PRIOR TO COMMITTING FUNDS.]** The commissioner, prior to making a commitment for a grant, loan, or equity investment must, at a minimum, conduct due diligence research regarding the proposed loan or equity investment, including contracting with professionals as needed to assist in the due diligence.

Subd. 4. **[REQUIREMENTS FOR FUND DISBURSEMENTS.]** The commissioner may make conditional commitments for grants, loans, or equity investments but disbursements of funds pursuant to a commitment may not be made until commitments for the remainder of a project's funding are made that are satisfactory to the commissioner and disbursements are made from the other commitments sufficient to protect the interests of the state in its loan or investment.

Subd. 5. [COMPANY CONTRIBUTION.] The commissioner may provide grants, loans, or equity investments that match, in a proportion determined by the commissioner, an investment made by the owner of a facility.

Sec. 24. Minnesota Statutes 2003 Supplement, section 298.75, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(1) "Aggregate material" shall mean nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, crushed rock, limestone, granite, and borrow, but only if the borrow is transported on a public road, street, or highway. Aggregate material shall not include dimension stone and dimension granite. Aggregate material must be measured or weighed after it has been extracted from the pit, quarry, or deposit.

(2) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service; except that operator does not include persons engaged in a transaction in which: (i) the person is allowed to remove or produce aggregate without a mining permit; or (ii) the aggregate is moved within a project's construction limits to other locations within that same project's construction limits.

(4) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) "Importer" shall mean any person who buys aggregate material produced from a county not listed in paragraph (6) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(6) "County" shall mean the counties of Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

(7) "Borrow" shall mean granular borrow, consisting of durable particles of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any combination thereof, the ratio of the portion passing the (#200) sieve divided by the portion passing the (1 inch) sieve may not exceed 20 percent by mass.

[EFFECTIVE DATE.] This section is effective for aggregate sold, imported, transported, or used from a stockpile after June 30, 2004.

Sec. 25. Minnesota Statutes 2002, section 298.75, subdivision 2, is amended to read:

Subd. 2. [TAX IMPOSED.] A county shall impose upon every importer and operator a production tax up to ten cents per cubic yard or up to seven cents per ton of aggregate material removed except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. A county or town may exempt an operator from the tax if the operator has removed less than 2,500 tons or 1,750 yards from the county in the year that the tax is due and no other aggregate operator has removed material from the same site in the same year. The tax shall be imposed on aggregate material produced in the county when the aggregate material is transported from the extraction site or sold. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the

aggregate material, the tax shall be imposed either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

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

Sec. 26. [TRANSITION PROVISION.]

Each person with an alternative minimum tax credit on December 31, 2003, pursuant to Minnesota Statutes 2002, section 298.01, may take that credit against occupation tax under the provisions of Minnesota Statutes 2002, section 298.01, subdivision 3d or 4e.

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

Sec. 27. [REPEALER.]

(a) Minnesota Statutes 2002, section 298.01, subdivisions 3c, 3d, 4d, and 4e, are repealed effective for taxable years beginning after December 31, 2003.

(b) Minnesota Statutes 2002, section 298.017, is repealed effective for taxes payable in 2005 and thereafter.

(c) Minnesota Statutes 2003 Supplement, section 298.227, is repealed July 1, 2004. The commissioner of iron range resources and rehabilitation must transfer any unobligated money in the taconite economic development fund on that date to the mineral processing and energy development assistance fund established under Minnesota Statutes, section 298.2962.

ARTICLE 11

SALES AND USE TAXES

DEPARTMENT OF REVENUE TECHNICAL CHANGES

Section 1. Minnesota Statutes 2002, section 289A.38, subdivision 6, is amended to read:

Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

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

Sec. 2. Minnesota Statutes 2003 Supplement, section 289A.40, subdivision 2, is amended to read:

Subd. 2. [BAD DEBT LOSS.] If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely

if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extensions granted for filing the return, but only if filed within the extended time. The refund or credit is limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property.

[EFFECTIVE DATE.] For claims relating to an overpayment of taxes under chapter 297A, this section is effective for sales and purchases made on or after January 1, 2004; for all other bad debts or claims, this section is effective on or after July 1, 2003.

Sec. 3. Minnesota Statutes 2003 Supplement, section 297A.668, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY.] The provisions of this section apply regardless of the characterization of a product as tangible personal property, a digital good, or a service; but do not apply to telecommunications services; or the sales of motor vehicles, ~~watercraft, aircraft, modular homes, manufactured homes, or mobile homes.~~ These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

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

Sec. 4. Minnesota Statutes 2003 Supplement, section 297A.668, subdivision 3, is amended to read:

Subd. 3. [LEASE OR RENTAL OF TANGIBLE PERSONAL PROPERTY.] The lease or rental of tangible personal property, other than property identified in subdivision 4 or 5, shall be sourced as required in paragraphs (a) to (c).

(a) For a lease or rental that requires recurring periodic payments, the first periodic payment is sourced the same as a retail sale in accordance with the provisions of subdivision 6 2. Periodic payments made subsequent to the first payment are sourced to the primary property location for each period covered by the payment. The primary property location must be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The property location must not be altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.

(b) For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of subdivision 2.

(c) This subdivision does not affect the imposition or computation of sales or use tax on leases or rentals based on a lump sum or accelerated basis, or on the acquisition of property for lease.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 5. Minnesota Statutes 2003 Supplement, section 297A.668, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale, including lease or rental, of transportation equipment shall be sourced the same as a retail sale in accordance with the provisions of subdivision 2, notwithstanding the exclusion of lease or rental in subdivision 2.

(b) "Transportation equipment" means any of the following:

(1) locomotives and railcars that are utilized for the carriage of persons or property in interstate commerce; ~~and/or~~

(2) trucks and truck-tractors with a gross vehicle weight rating (GVWR) of 10,001 pounds or greater, trailers, semitrailers, or passenger buses that are:

(i) registered through the international registration plan; and

(ii) operated under authority of a carrier authorized and certified by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce;

(3) aircraft that are operated by air carriers authorized and certificated by the United States Department of Transportation or another federal or a foreign authority to engage in the carriage of persons or property in interstate commerce; or

(4) containers designed for use on and component parts attached or secured on the transportation equipment described in items (1) through (3).

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 6. Minnesota Statutes 2003 Supplement, section 297A.669, subdivision 16, is amended to read:

Subd. 16. [SERVICE ADDRESS.] "Service address," for purposes of this section, means:

(1) the location of the telecommunications equipment to which a customer's call is charged and from which the call originates or terminates, regardless of where the call is billed or paid;

(2) if the location in ~~paragraph (a)~~ clause (1) is not known, service address means the origination point of the signal of the telecommunications services first identified by either the seller's telecommunications system or in information received by the seller from its service provider, where the system used to transport the signals is not that of the seller; or

(3) if the location in ~~paragraphs (a)~~ clauses (1) and ~~(b)~~ (2) is not known, the service address means the location of the customer's place of primary use.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 7. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 2, is amended to read:

Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.] (a) Materials stored, used, or consumed in industrial production of personal property intended to be sold ultimately at retail are exempt, whether or not the item so used 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) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;

(3) 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;

(4) petroleum products and lubricants;

(5) packaging materials, including returnable containers used in packaging food and beverage products;

(6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and

(7) the following materials, tools, and equipment used in metalcasting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.

(b) This exemption does not include:

(1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and

(2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products (whether vegetable or animal), commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity, the production of road building materials, and the research, development, design, or production of computer software. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Industrial production does not include the furnishing of services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii).

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

Sec. 8. Minnesota Statutes 2003 Supplement, 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 primarily to electronically transmit results retrieved by a customer of an on-line 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;

(8) ready-mixed concrete 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; and

(9) machinery or equipment used for research, development, design, or production of computer software.

(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) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;

(8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii); or

(9) 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.

(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).

(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.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

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

Sec. 9. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 39, is amended to read:

Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from the effective date of the law change that results in the imposition of the tax or the tax rate increase under this chapter if:

(1) the act imposing the tax or increasing the tax rate 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 or the tax rate was increased;

(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 construction 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 or the tax rate was increased;

(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. 10. [REPEALER.]

Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200, subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; and 8130.8800, subpart 4, are repealed.

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

ARTICLE 12

SPECIAL TAXES

DEPARTMENT OF REVENUE TECHNICAL CHANGES

Section 1. Minnesota Statutes 2002, section 287.04, is amended to read:

287.04 [EXEMPTIONS.]

The tax imposed by section 287.035 does not apply to:

- (a) A decree of marriage dissolution or an instrument made pursuant to it.
- (b) A mortgage given to correct a misdescription of the mortgaged property.
- (c) A mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.
- (d) A contract for the conveyance of any interest in real property, including a contract for deed.
- (e) A mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28.
- (f) The principal amount of a mortgage loan made under a low and moderate income or other affordable housing program, if the mortgagee is a federal, state, or local government agency.
- (g) Mortgages granted by fraternal benefit societies subject to section 64B.24.
- (h) A mortgage amendment or extension, as defined in section 287.01.
- (i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a), or (b), clause (1), (2), or (3).
- (j) A mortgage on an armory building as set forth in section 193.147.

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

Sec. 2. Minnesota Statutes 2002, section 295.50, subdivision 4, is amended to read:

Subd. 4. [HEALTH CARE PROVIDER.] (a) "Health care provider" means:

- (1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;
- (2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;
- (3) a staff model health plan company;
- (4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes licensed under chapter 144B~~ housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees; and

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage.

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

Sec. 3. Minnesota Statutes 2002, section 296A.22, is amended by adding a subdivision to read:

Subd. 9. **[ABATEMENT OF PENALTY.]** (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

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

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 296A.25 or appeal to the Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to the Tax Court as provided in section 271.06.

[EFFECTIVE DATE.] This section is effective for penalties imposed on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2003 Supplement, section 297F.08, subdivision 12, is amended 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. This reporting requirement only relates to cigarettes manufactured by companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states.

(d) For purposes of this section, "person" has the meaning given in section 297F.01, subdivision 12. Person does not include any common or contract carrier, or public warehouse that is not owned, in whole or in part, directly or indirectly by such person, and does not include a manufacturer that ~~has entered into~~ is an original or subsequent participating manufacturer in the Master Settlement Agreement with other states.

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

Sec. 5. Minnesota Statutes 2003 Supplement, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

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

Sec. 6. Minnesota Statutes 2003 Supplement, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

(1) brought, or caused to be brought, into this state for sale; and

(2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown. The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

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

Sec. 7. Minnesota Statutes 2002, section 297I.01, is amended by adding a subdivision to read:

Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance whereby an insurance company, for a consideration, agrees to indemnify another insurance company against all or part of the loss which the latter may sustain under the policy or policies which it has issued.

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

Sec. 8. Minnesota Statutes 2002, section 297I.05, subdivision 5, is amended to read:

Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED SERVICE NETWORKS.] (a) Health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations are exempt from the tax imposed under this section for premiums received in calendar years 2001 to 2003.

(b) For calendar years after 2003, a tax is imposed on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations. The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise, in the calendar year.

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

(d) The commissioner shall deposit all revenues, including penalties and interest, collected under this chapter from health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund. Refunds of overpayments of tax imposed by this subdivision must be paid from the health care access fund. There is annually appropriated from the health care access fund to the commissioner the amount necessary to make any refunds of the tax imposed under this subdivision.

[EFFECTIVE DATE.] This section is effective January 1, 2004.

Sec. 9. [REPEALER.]

Minnesota Statutes 2002, section 297E.12, subdivision 10, is repealed effective the day following final enactment.

ARTICLE 13

PROPERTY TAXES AND AIDS

DEPARTMENT OF REVENUE TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2003 Supplement, section 168A.05, subdivision 1a, is amended to read:

Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX PAYMENT.] In the case of a manufactured home as defined in section 327.31, subdivision 6, the department shall not issue a certificate of title unless the application under section 168A.04 is accompanied with a statement from the county auditor or county treasurer where the manufactured home is presently located, stating that all manufactured home personal property taxes levied on the unit in the name of the current owner at the time of transfer have been paid. For this purpose, manufactured home personal property taxes are treated as levied on January 1 of the payable year.

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

Sec. 2. Minnesota Statutes 2002, section 270B.12, subdivision 9, is amended to read:

Subd. 9. [COUNTY ASSESSORS; HOMESTEAD APPLICATION, DETERMINATION, AND INCOME TAX STATUS.] (a) If, as a result of an audit, the commissioner determines that a person is a Minnesota nonresident or part-year resident for income tax purposes, the commissioner may disclose the person's name, address, and Social Security number to the assessor of any political subdivision in the state, when there is reason to believe that the person may have claimed or received homestead property tax benefits for a corresponding assessment year in regard to property apparently located in the assessor's jurisdiction.

(b) To the extent permitted by section 273.124, subdivision 1, paragraph (a), the Department of Revenue may verify to a county assessor whether an individual who is requesting or receiving a homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

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

Sec. 3. Minnesota Statutes 2002, section 272.01, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

(iii) facilities leased by a private individual, association, or corporation in connection with a business for profit, that consists of a major jet engine repair facility financed, in whole or part, with the proceeds of state bonds and located in a tax increment financing district;

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

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

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

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

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

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

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

Sec. 4. Minnesota Statutes 2002, section 272.02, subdivision 1a, is amended to read:

Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions granted by subdivision 1 are subject to the limits contained in the other subdivisions of this section, section 272.025, ~~or 273.13, subdivision 25, paragraph (e), clause (1) or (2), or paragraph (d), clause (2) and all other provisions of applicable law.~~

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

Sec. 5. Minnesota Statutes 2002, section 272.02, subdivision 7, is amended to read:

Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of purely public charity are exempt ~~except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (e), other than those that qualify for exemption under subdivision 26.~~ In determining whether rental housing property qualifies for exemption under this subdivision, the following are not gifts or donations to the owner of the rental housing:

(1) rent assistance provided by the government to or on behalf of tenants, and

(2) financing assistance or tax credits provided by the government to the owner on condition that specific units or a specific quantity of units be set aside for persons or families with certain income characteristics.

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

Sec. 6. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR NET PROCEEDS TAX.] (a) Except for mineral interests taxed under section 273.165, and except for lands taxed under section 298.26, real and personal property described in section 298.25 is exempt to the extent the tax on taconite and iron sulphides under section 298.24 is described in section 298.25 as being in lieu of other taxes on such property. This exemption applies for taxes payable in each year that the tax under section 298.24 is payable with respect to such property.

(b) Except for mineral interests taxed under section 273.165, deposits of mineral, metal, or energy resources the mining of which is subject to taxation under section 298.015 are exempt. This exemption applies for taxes payable in each year that the tax under section 298.015 is payable with respect to such property.

[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. 69. [RELIGIOUS CORPORATIONS.] Personal and real property that a religious corporation, formed under section 317A.909, necessarily uses for a religious purpose is exempt to the extent provided in section 317A.909, subdivision 3.

[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. 70. [CHILDREN'S HOMES.] Personal and real property owned by a corporation formed under section 317A.907 is exempt to the extent provided in section 317A.907, subdivision 7.

[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. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL HOUSING AUTHORITY PROPERTY.] Property owned by a housing and redevelopment authority described in chapter 469, or by a designated housing authority described in section 469.040, subdivision 5, is exempt to the extent provided in chapter 469.

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

Sec. 10. Minnesota Statutes 2002, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.] (a) Each family farm corporation, ~~each~~; each joint family farm venture,; and ~~each~~ limited liability company, ~~and~~ ~~each~~ or partnership ~~operating~~ which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating the family farm~~, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships ~~operating a family farm~~ described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company ~~operating a family farm~~, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, ~~or partnership operating a family farm~~, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~ under the lease.

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

Sec. 11. Minnesota Statutes 2002, section 273.19, subdivision 1a, is amended to read:

Subd. 1a. For purposes of this section, a lease includes any agreement, except a cooperative farming agreement pursuant to section 97A.135, subdivision 3, or a lease executed pursuant to section 272.68, subdivision 4, permitting a nonexempt person or entity to use the property, regardless of whether the agreement is characterized as a lease. A lease has a "term of at least one year" if the term is for a period of less than one year and the lease permits the parties to renew the lease without requiring that similar terms for leasing the property will be offered to other applicants or bidders through a competitive bidding or other form of offer to potential lessees or users.

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

Sec. 12. Minnesota Statutes 2003 Supplement, section 274.014, subdivision 3, is amended to read:

Subd. 3. **[PROOF OF COMPLIANCE; TRANSFER OF DUTIES.]** Any city or town that does not provide proof to the county assessor by December 1, 2006, and each year thereafter, that it is in compliance with the requirements of subdivision 2, and that it had a quorum at each meeting of the board of appeal and equalization in the ~~prior~~ current year, is deemed to have transferred its board of appeal and equalization powers to the county under section 274.01, subdivision 3, for the following year's assessment.

The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by December 1 in order to be effective for the following year's assessment.

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

Sec. 13. Minnesota Statutes 2002, section 274.14, is amended to read:

274.14 **[LENGTH OF SESSION; RECORD.]**

~~The county board of equalization or the special board of equalization appointed by it shall meet during the last ten meeting days in June. For this purpose, "meeting days" are defined as any day of the week excluding Saturday and Sunday. The board may meet on any ten consecutive meeting days in June, after the second Friday in June, if. The actual meeting dates are must be contained on the valuation notices mailed to each property owner in the county under as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Saturday and Sunday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.~~

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

Sec. 14. 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~~ October 5. 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.

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

Sec. 15. Minnesota Statutes 2002, section 275.07, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. ~~The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 2, but shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 3.~~ If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivisions 2 and 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

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

Sec. 16. Minnesota Statutes 2002, section 275.07, subdivision 4, is amended to read:

Subd. 4. [REPORT TO COMMISSIONER.] (a) On or before October 8 of each year, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. If any taxing authorities have notified the county auditor that they are in the process of negotiating an agreement for sharing, merging, or consolidating services but that when the proposed levy was certified under section 275.065, subdivision 1c, the agreement was not yet finalized, the county auditor shall supply that information to the commissioner when filing the report under this section and shall recertify the affected levies as soon as practical after October 10.

(b) On or before January 15 of each year, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1.

(c) The levies must be reported in the manner prescribed by the commissioner. ~~The reports must show a total levy and the amount of each special levy.~~

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

Sec. 17. Minnesota Statutes 2003 Supplement, section 276.112, is amended to read:

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 two business days before June 29 30 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 November 20, 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. 18. Minnesota Statutes 2002, section 282.016, is amended to read:

282.016 [PROHIBITED PURCHASERS.]

~~No~~ (a) A county auditor, county treasurer, court administrator of the district court, or county assessor or, supervisor of assessments, or deputy or clerk or an employee of such officer, ~~and no~~ a commissioner for tax-forfeited lands or an assistant to such commissioner ~~may~~, must not become a purchaser, either personally or as an agent or attorney for another person, of the properties offered for sale under the provisions of this chapter, ~~either personally, or as agent or attorney for any other person, except that in the county for which the person performs duties.~~

(b) Notwithstanding paragraph (a), such officer, deputy, ~~court administrator~~ clerk, or employee or commissioner for tax-forfeited lands or assistant to such commissioner may (1) purchase lands owned by that official at the time the state became the absolute owner thereof or (2) bid upon and purchase forfeited property offered for sale under the alternate sale procedure described in section 282.01, subdivision 7a.

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

Sec. 19. Minnesota Statutes 2002, section 282.21, is amended to read:

282.21 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.14 to 282.22, upon payment in full of the purchase price, appropriate conveyance in fee in such form as may be prescribed by the attorney general shall be issued by the commissioner of finance to the purchaser or the purchaser's assigns and this conveyance shall have the force and effect of a patent from the state.

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

Sec. 20. Minnesota Statutes 2002, section 282.224, is amended to read:

282.224 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.221 to 282.226, upon payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of natural resources to the purchaser or the purchaser's assignee, and the conveyance shall have the force and effect of a patent from the state.

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

Sec. 21. Minnesota Statutes 2002, section 282.301, is amended to read:

282.301 [RECEIPTS FOR PAYMENTS.]

When any sale has been made under sections 282.012 and 282.241 to 282.324, the purchaser shall receive from the county auditor at the time of repurchase a receipt, in such form as may be prescribed by the attorney general. When the purchase price of a parcel of land shall be paid in full, the following facts shall be certified by the county auditor to the commissioner of revenue of the state of Minnesota: the description of land, the date of sale, the name of the purchaser or the purchaser's assignee, and the date when the final installment of the purchase price was paid. Upon payment in full of the purchase price, the purchaser or the assignee shall receive a quitclaim deed from the state, to be executed by the commissioner of revenue. The deed must be sent to the county auditor who shall have it recorded before it is forwarded to the purchaser. Failure to make any payment herein required shall constitute default and upon such default and cancellation in accord with section 282.40, the right, title and interest of the purchaser or the purchaser's heirs, representatives, or assigns in such parcel shall terminate.

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

Sec. 22. Minnesota Statutes 2003 Supplement, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. [COUNTIES.] (a) For aids payable in calendar year 2005 and thereafter, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$100,500,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. For calendar year 2004, ~~the amount shall be \$500,000 is appropriated from the general fund for this purpose in addition to the payments authorized under section 477A.0124, subdivision 1.~~ For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation ~~under this paragraph for section 477A.0124, subdivision 1.~~ The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2005 and thereafter, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. For aids payable in 2004, \$214,000 is appropriated from the general fund for this purpose. For aids payable in 2005 and thereafter, the commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this ~~paragraph~~ section for section 477A.0124, subdivision 4. The amounts deducted are appropriated to the commissioner of finance and the commissioner of education for the preparation of local impact notes.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004 and thereafter.

Sec. 23. Laws 2003, First Special Session chapter 21, article 6, section 9, is amended to read:

Sec. 9. [DEFINITIONS.]

(a) For purposes of sections 9 to 15, the following terms have the meanings given them in this section.

(b) The 2003 and 2004 "levy plus aid revenue base" for a county is the sum of that county's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the county was certified to receive in the designated calendar year as:

(1) homestead and agricultural credit aid under Minnesota Statutes, section 273.1398, subdivision 2, plus any additional aid under section 16, minus the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts one, three, six, and ten, and 25 percent of the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts two and four;

(2) the amount of county manufactured home homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.166;

(3) criminal justice aid under Minnesota Statutes, section 477A.0121;

(4) family preservation aid under Minnesota Statutes, section 477A.0122;

(5) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, including any aid which was required to be placed in a special fund for expenditure in the next succeeding year; and

(6) county program aid under section 477A.0124, exclusive of the attached machinery aid component.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 24. [REPEALER.]

Minnesota Statutes 2002, sections 273.19, subdivision 5; 274.05; 275.15; and 283.07, are repealed effective the day following final enactment.

ARTICLE 14

MISCELLANEOUS

DEPARTMENT OF REVENUE TECHNICAL CHANGES

Section 1. Minnesota Statutes 2002, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a liability reported on a return was entered into the records of the commissioner or the date a return should have been filed, whichever is later; or, in the case of taxes determined by the commissioner, "date of assessment" means the date of the order assessing taxes or date of the return made by the commissioner; or, in the case of an amended return filed by the taxpayer, the assessment date is the date additional liability reported on the return, if any, was entered into the records of the commissioner; or, in the case of a consent agreement signed by the taxpayer under section 270.67, subdivision 3, the assessment date is the notice date shown on the agreement; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

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

Sec. 2. Minnesota Statutes 2003 Supplement, 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. If the estate requests an extension to file an estate tax return within the time provided in section 289A.18, subdivision 3, the commissioner shall extend the time for filing the estate tax return for six months.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2003.

Sec. 3. Minnesota Statutes 2002, section 289A.37, subdivision 5, is amended to read:

Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the department has been provided with a new address by a party authorized to receive notices of assessment.

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

Sec. 4. Minnesota Statutes 2002, section 289A.60, subdivision 6, is amended to read:

Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT RETURN, EVASION.] If a person, with intent to evade or defeat a tax or payment of tax, fails to file a return, files a false or fraudulent return, or attempts in any other manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to 50 percent of the tax, less amounts paid by the person on the basis of the false or fraudulent return, if any, due for the period to which the return related.

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

Sec. 5. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and ~~income~~ the amount of taxes based on net income paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and ~~income~~ taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10;

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

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2002, section 290.06, subdivision 22, is amended to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes based on ~~or measured by~~ net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, ~~clause (2) paragraph (b)~~, and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2003 Supplement, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **[CREDIT ALLOWED.]** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02, paragraph (e), clauses (1) to (7), (9), and (10) required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (3),~~ and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including 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. "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 extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02 required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (3),~~ purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a qualifying child 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 363A.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2002, section 290.92, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) and (f) of the Internal Revenue Code.

(2) [PAYROLL PERIOD.] For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) [EMPLOYEE.] For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) [EMPLOYER.] For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have legal control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having legal control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have legal control, either individually or jointly with another or others, of the payment of the wages.

(5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

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

Sec. 9. Minnesota Statutes 2002, section 290C.05, is amended to read:

290C.05 [ANNUAL CERTIFICATION.]

On or before July 1 of each year, beginning with the year after the claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. ~~Failure to~~ If the claimant does not return an annual certification form by the due date ~~shall result in removal of the lands from the provisions of the sustainable forest incentive program, and the imposition of any applicable removal penalty, the provisions in section 290C.11 apply. The claimant may appeal the removal and any associated penalty according to the procedures and within the time allowed under this chapter.~~

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

Sec. 10. [290C.055] [LENGTH OF COVENANT.]

The covenant remains in effect for a minimum of eight years. If land is removed from the program after it has been enrolled for less than four years, the covenant remains in effect for eight years from the date recorded.

In the case of land that has been enrolled for more than four years and is removed from the program for any reason, there is a four-year waiting period to end the covenant. The covenant remains in effect until January 1 of the fifth calendar year that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to be removed from the program under section 290C.10, or

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

Notwithstanding the other provisions of this section, the covenant is terminated at the same time that land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10.

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

Sec. 11. Minnesota Statutes 2002, section 325D.33, subdivision 6, is amended to read:

Subd. 6. [VIOLATIONS.] If the commissioner determines that a distributor is violating any provision of this chapter, the commissioner must give the distributor a written warning explaining the violation and an explanation of what must be done to comply with this chapter. Within ten days of issuance of the warning, the distributor must notify the commissioner that the distributor has complied with the commissioner's recommendation or request that the commissioner set the issue for a hearing pursuant to chapter 14. If a hearing is requested, the hearing shall be scheduled within 20 days of the request and the recommendation of the administrative law judge shall be issued within five working days of the close of the hearing. The commissioner's final determination shall be issued within five working days of the receipt of the administrative law judge's recommendation. If the commissioner's final determination is adverse to the distributor and the distributor does not comply within ten days of receipt of the commissioner's final determination, the commissioner may order the distributor to immediately cease the stamping of cigarettes. As soon as practicable after the order, the commissioner must remove the meter and any unapplied cigarette stamps from the premises of the distributor.

If within ten days of issuance of the written warning the distributor has not complied with the commissioner's recommendation or requested a hearing, the commissioner may order the distributor to immediately cease the stamping of cigarettes and remove the meter and unapplied stamps from the distributor's premises.

~~If, within any 12-month period, the commissioner has issued three written warnings to any distributor, even if the distributor has complied within ten days, the commissioner shall notify the distributor of the commissioner's intent to revoke the distributor's license for a continuing course of conduct contrary to this chapter. For purposes of this paragraph, a written warning that was ultimately resolved by removal of the warning by the commissioner is not deemed to be a warning. The commissioner must notify the distributor of the date and time of a hearing pursuant to chapter 14 at least 20 days before the hearing is held. The hearing must provide an opportunity for the distributor to show cause why the license should not be revoked. If the commissioner revokes a distributor's license, the commissioner shall not issue a new license to that distributor for 180 days.~~

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

Sec. 12. Minnesota Statutes 2002, section 473.843, subdivision 5, is amended to read:

Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and enforcement provisions applicable to corporate franchise taxes imposed under chapter 290 apply to the fees imposed under this section. The commissioner of revenue shall administer the provisions.

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

Sec. 13. [REPEALER.]

Minnesota Rules, parts 8093.2000 and 8093.3000, are repealed.

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

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, estate, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, mortgage registry, occupation, net proceeds, and production taxes, and other taxes and tax-related provisions; establishing a regional investment credit; establishing a credit for carsharing; providing a refund for transit passes; changing the rent credit calculation; authorizing sales tax exemptions; authorizing local government sales taxes; repealing the sunset of sales tax on alcoholic beverages and rental cars; authorizing distributions of tax proceeds; changing provisions relating to fiscal disparities, education financing, state debt collection procedures, sustainable forest incentives programs, business subsidy, and tax data provisions; conforming provisions to certain changes in federal law; changing powers and duties of certain local governments and authorities and state departments or agencies; providing for payments of certain aids and reimbursements to local units of government; providing for issuance of obligations by local governments, and use of the proceeds of the debt; authorizing certain joint ventures to provide utility services; authorizing use of nonprofit organizations to manage certain enterprises; requiring transfer of a parking facility; changing tax increment financing provisions, and providing authorities to certain districts; requiring a state aviation plan; authorizing establishment of an International Economic Development Zone and providing for tax incentives; regulating tax preparers; imposing requirement on vendors that contract with the state to collect sales taxes; changing electronic filing provisions; prohibiting misrepresentation of employment; providing for filling of vacancies on the Tax Court; establishing biotechnology and health science industry grants; imposing requirements related to JOBZ; providing for studies and reports; providing penalties; creating an education reserve account; providing for allocation and transfers of funds; appropriating money; amending Minnesota Statutes 2002, sections 15.06, subdivision 6; 16D.10; 116J.993, subdivision 3, by adding a subdivision; 116J.994, subdivision 5, by adding a subdivision; 126C.17, subdivision 6, by adding subdivisions; 161.1231, by adding a subdivision; 174.03, by adding a subdivision; 270.02, subdivision 3; 270.65; 270.69, subdivision 4; 270B.01, subdivision 8; 270B.12, subdivision 9; 272.01, subdivision 2; 272.02, subdivisions 1a, 7, 22, by adding subdivisions; 272.029, subdivisions 4, 6; 273.11, by adding subdivisions; 273.112, subdivision 3; 273.124, subdivision 8; 273.1384, subdivision 3; 273.19, subdivision 1a; 274.14; 275.065, subdivision 1a; 275.07, subdivisions 1, 4; 276.04, subdivision 2; 278.03, subdivision 1; 279.01, subdivision 1, by adding a subdivision; 282.016; 282.21; 282.224; 282.301; 287.04; 289A.08, subdivision 1; 289A.12, subdivision 3; 289A.20, subdivision 2; 289A.31, subdivision 2; 289A.37, subdivision 5; 289A.38, subdivision 6; 289A.39, subdivision 1; 289A.56, by adding a subdivision; 289A.60, subdivision 6; 290.05, subdivision 1; 290.06, subdivisions 22, 28, by adding subdivisions; 290.0674, subdivision 2; 290.091, subdivision 3; 290.10; 290.17, subdivision 4; 290.191, subdivisions 1, 2, 3, 5, by adding a subdivision; 290.92, subdivisions 1, 4b; 290.9705, subdivision 1; 290A.03, subdivision 11, by adding a subdivision; 290A.19; 290C.05; 295.50, subdivision 4; 296A.22, by adding a subdivision; 297A.61, by adding a subdivision; 297A.67, by adding subdivisions; 297A.68, subdivisions 4, 19, by adding subdivisions; 297A.70, by adding a subdivision; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2; 297A.87, subdivisions 2, 3; 297F.01, by adding a subdivision; 297F.09, by adding a subdivision; 297I.01, by adding subdivisions; 297I.05, subdivisions 4, 5, by adding a subdivision; 298.001, by adding subdivisions; 298.01, subdivisions 3, 3a, 4; 298.015, subdivisions 1, 2; 298.016, subdivision 4; 298.018; 298.24, subdivision 1; 298.28, subdivisions 9a, 9b, 10; 298.2961, by adding a subdivision; 298.75, subdivision 2; 325D.33, subdivision 6; 428A.101; 428A.21; 452.25, subdivision 3; 462A.071, subdivision 6; 469.034, subdivision 2; 469.1734, subdivision 6; 469.174, by adding a subdivision; 469.176, by adding subdivisions; 469.1761, by adding a subdivision; 469.1792; 471.342, subdivisions 3, 5, by adding a subdivision; 473.39, by adding a subdivision; 473.843, subdivisions 3, 5; 473F.02, subdivision 7; 473F.08, by adding subdivisions; 474A.131, subdivision 1; 475.52, subdivisions 1, 3, 4; 477A.011, subdivision 3; 477A.11, subdivision 4, by adding a subdivision; 477A.12, subdivisions 1, 2; 477A.14, subdivision 1; 480B.01, subdivisions 1, 10; 504B.215, by adding a subdivision; Minnesota Statutes 2003 Supplement, sections 116J.994, subdivisions 4, 9; 126C.17, subdivisions 7, 9; 168A.05, subdivision 1a; 270.30, subdivision 8; 270B.12, subdivision 13; 272.02, subdivisions 47, 56; 273.11, subdivision 1a;

273.124, subdivision 1; 273.13, subdivisions 23, 25; 274.014, subdivision 3; 275.025, subdivision 1; 275.065, subdivision 3; 276.112; 289A.02, subdivision 7; 289A.08, subdivision 16; 289A.19, subdivision 4; 289A.20, subdivision 4; 289A.40, subdivision 2; 290.01, subdivisions 7, 19, 19a, 19b, 19c, 19d, 31; 290.06, subdivision 2c; 290.0674, subdivision 1; 290.091, subdivision 2; 290A.03, subdivision 15; 290C.10; 291.005, subdivision 1; 297A.668, subdivisions 1, 3, 5; 297A.669, subdivision 16; 297A.68, subdivisions 2, 5, 39; 297A.70, subdivision 8; 297B.03; 297F.08, subdivision 12; 297F.09, subdivisions 1, 2; 298.223, subdivision 1; 298.27; 298.75, subdivision 1; 373.01, subdivision 3; 373.40, subdivision 1; 403.21, subdivision 8; 403.27, subdivisions 1, 3; 403.31, subdivision 6; 410.32; 412.301; 469.174, subdivision 10; 469.175, subdivisions 1, 4, 6; 469.176, subdivision 1c; 469.310, subdivision 11; 469.330, subdivision 11; 469.335; 469.337; 475.521, subdivision 4; 475.58, subdivision 3b; 477A.011, subdivisions 34, 36; 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b; Laws 1986, chapter 379, section 1; Laws 1986, chapter 379, section 2, subdivision 1; Laws 1991, chapter 291, article 8, section 27, subdivision 4; Laws 1991, chapter 291, article 8, section 27, subdivision 5; Laws 1996, chapter 471, article 2, section 29; Laws 1998, chapter 389, article 3, section 41; Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended; Laws 1998, chapter 389, article 8, section 43, subdivision 3; Laws 1998, chapter 389, article 8, section 43, subdivision 4; Laws 1998, chapter 389, article 11, section 19, subdivision 3; Laws 1998, chapter 389, article 11, section 24, subdivision 1; Laws 1998, chapter 389, article 11, section 24, subdivision 2; 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 2001, First Special Session chapter 5, article 12, section 67; Laws 2001, First Special Session chapter 5, article 12, section 95; Laws 2002, chapter 377, article 12, section 16, subdivision 1; Laws 2003, chapter 127, article 12, section 38; Laws 2003, First Special Session chapter 21, article 4, section 12, subdivision 11; Laws 2003, First Special Session chapter 21, article 5, section 13; Laws 2003 First Special Session chapter 21, article 6, section 9; proposing coding for new law in Minnesota Statutes, chapters 174; 270; 273; 278; 290; 290C; 297F; 298; 325D; 325F; 469; 473; repealing Minnesota Statutes 2002, sections 273.19, subdivision 5; 274.05; 275.15; 283.07; 289A.26, subdivision 2a; 289A.60, subdivision 21; 290.191, subdivision 4; 295.55, subdivision 4; 295.60, subdivision 4; 297E.12, subdivision 10; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.35, subdivision 2; 297I.85, subdivision 7; 298.01, subdivisions 3c, 3d, 4d, 4e; 298.017; Minnesota Statutes 2003 Supplement, sections 270.30, subdivision 1; 298.227; Laws 1975, chapter 287, section 5; Laws 2003, chapter 127, article 9, section 9, subdivision 4; Minnesota Rules, parts 8093.2000; 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts 5, 6; 8130.0400, subpart 9; 8130.1200, subparts 5, 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; 8130.8800, subpart 4."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Johnson, D.E., from the Committee on Rules and Administration, to which was referred

H.F. No. 2103 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its 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.
2103	2273				

and that the above 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. Report adopted.

Senator Johnson, D.E., from the Committee on Rules and Administration, to which was referred

H.F. No. 2277 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.
2277	2179				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 2277 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2277 and insert the language after the enacting clause of S.F. No. 2179, the first engrossment; further, delete the title of H.F. No. 2277 and insert the title of S.F. No. 2179, the first engrossment.

And when so amended H.F. No. 2277 will be identical to S.F. No. 2179, and further recommends that H.F. No. 2277 be given its second reading and substituted for S.F. No. 2179, 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 Kelley from the Committee on Education, to which was referred the following appointment as reported in the Journal for March 1, 2004:

DEPARTMENT OF EDUCATION
COMMISSIONER

Cheri Pierson Yecke

Reports the same back with the recommendation that the appointment not be confirmed.

Senator Rest moved that the foregoing committee report be laid on the table. The motion prevailed.

SECOND READING OF SENATE BILLS

S.F. No. 2302 was read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 2103 and 2277 were read the second time.

MOTIONS AND RESOLUTIONS

Senator Rest moved that H.F. No. 2540 be taken from the table and given a second reading. The motion prevailed.

H.F. No. 2540: A bill for an act relating to financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, estate, vehicle registration, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, petroleum, gambling, mortgage registry, occupation, net proceeds, and production taxes, and other taxes and tax-related provisions; changing provisions relating to fiscal disparities, tax-forfeited lands, state debt collection procedures, sustainable forest incentives programs, and tax data provisions;

conforming provisions to certain changes in federal law; changing powers and duties of certain local governments and state departments or agencies; changing tax increment financing provisions; authorizing establishment of an International Economic Development Zone and providing for tax incentives; imposing a franchise fee for operation of card clubs; regulating tax preparers; imposing requirement on vendors that contract with state to collect sales taxes; changing provisions relating to certificates of title of vehicles held by motor vehicle dealers; changing or providing for studies and reports; providing for task force on electronic filing and recording of real estate documents; changing and providing penalties; providing for allocation and transfers of funds; clarifying appropriations; appropriating money; amending Minnesota Statutes 2002, sections 16C.03, by adding a subdivision; 16D.10; 97A.061, subdivision 1; 144F.01, subdivision 10; 168A.02, subdivision 2; 168A.11, subdivisions 1, 2, by adding a subdivision; 240.30, by adding a subdivision; 270.02, subdivision 3; 270.65; 270.69, subdivision 4; 270B.01, subdivision 8; 270B.12, subdivision 9; 272.01, subdivision 2; 272.02, subdivisions 1a, 7, 22, by adding subdivisions; 272.0212, subdivisions 1, 2; 272.029, subdivisions 4, 6; 273.11, by adding a subdivision; 273.111, subdivision 6; 273.124, subdivision 8, by adding a subdivision; 273.1384, subdivision 1; 273.19, subdivision 1a; 274.14; 275.065, subdivision 1a; 275.07, subdivisions 1, 4; 276.04, subdivision 2; 282.016; 282.21; 282.224; 282.301; 287.04; 289A.08, subdivision 1; 289A.12, subdivision 3; 289A.31, subdivision 2; 289A.37, subdivision 5; 289A.38, subdivision 6; 289A.56, by adding a subdivision; 289A.60, subdivision 6; 290.06, subdivision 22, by adding a subdivision; 290.0674, subdivision 2; 290.091, subdivision 3; 290.17, by adding a subdivision; 290.191, subdivisions 2, 3, 5, 6, 10, 11, by adding a subdivision; 290.92, subdivisions 1, 4b; 290.9705, subdivision 1; 290A.03, subdivision 13; 290A.07, by adding a subdivision; 290C.05; 295.50, subdivision 4; 295.582; 296A.22, by adding a subdivision; 297A.61, subdivision 4, by adding subdivisions; 297A.62, by adding a subdivision; 297A.67, by adding a subdivision; 297A.68, by adding subdivisions; 297A.70, by adding a subdivision; 297A.71, by adding a subdivision; 297A.87, subdivisions 2, 3; 297A.995, subdivision 6; 297E.01, subdivisions 5, 7, by adding subdivisions; 297E.07; 297F.01, by adding a subdivision; 297F.09, by adding a subdivision; 297I.01, by adding subdivisions; 297I.05, subdivisions 4, 5, by adding a subdivision; 298.01, subdivisions 3, 4; 298.24, subdivision 1; 325D.33, subdivision 6; 365.43, subdivision 1; 365.431; 469.1734, subdivision 6; 469.174, subdivision 11; 469.175, subdivision 4a; 469.176, subdivision 4d; 469.1761, subdivisions 1, 3; 469.1771, subdivision 5; 469.178, subdivision 1; 469.1831, subdivision 6; 473.843, subdivision 5; 473F.02, subdivisions 2, 7; 477A.11, subdivision 4, by adding a subdivision; 477A.12, subdivisions 1, 2; 477A.14, subdivision 1; Minnesota Statutes 2003 Supplement, sections 4A.02; 16A.152, subdivision 2; 116J.556; 168A.05, subdivision 1a; 270.06; 270.30, subdivisions 1, 5, 8; 270B.12, subdivision 13; 272.02, subdivisions 47, 56, 65; 273.11, subdivision 1a; 273.13, subdivisions 22, 23; 274.014, subdivision 3; 275.065, subdivision 3; 276.112; 289A.02, subdivision 7; 289A.08, subdivision 16; 289A.19, subdivision 4; 289A.40, subdivision 2; 290.01, subdivisions 7, 19, 19a, 19b, 19c, 19d, 31; 290.06, subdivision 2c; 290.0674, subdivision 1; 290.091, subdivision 2; 290.0921, subdivision 3; 290A.03, subdivision 15; 290C.10; 291.005, subdivision 1; 291.03, subdivision 1; 297A.668, subdivisions 1, 3, 5; 297A.669, subdivision 16; 297A.68, subdivisions 2, 5, 39; 297A.70, subdivision 8; 297F.08, subdivision 12; 297F.09, subdivisions 1, 2; 298.75, subdivision 1; 469.174, subdivision 25; 469.177, subdivision 1; 469.310, subdivision 11; 469.330, subdivision 11; 469.335; 469.337; 477A.011, subdivision 36; 477A.03, subdivision 2b; Laws 1990, chapter 604, article 7, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 3, section 41; Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended; Laws 1998, chapter 389, article 8, section 43, subdivision 3; Laws 1998, chapter 389, article 11, section 24, subdivisions 1, 2; Laws 2000, chapter 391, section 1, subdivisions 1, 2, as amended; Laws 2001, First Special Session chapter 10, article 2, section 77, as amended; Laws 2002, chapter 365, section 9; Laws 2002, chapter 377, article 3, section 4; Laws 2003, First Special Session chapter 1, article 2, section 123; Laws 2003, First Special Session chapter 21, article 5, section 13; Laws 2003, First Special Session chapter 21, article 6, section 9; proposing coding for new law in Minnesota Statutes, chapters 270; 272; 273; 290; 290C; 297F; 325F; 469; 473; repealing Minnesota Statutes 2002, sections 273.19, subdivision 5; 274.05; 275.15; 283.07; 297E.12, subdivision 10; 469.176, subdivision 1a; 469.1766; Laws 1975, chapter 287, section 5; Laws 2003, chapter 127, article 9, section 9, subdivision 4; Minnesota Rules, parts 8093.2000; 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts 5, 6; 8130.0400, subpart 9; 8130.1200, subparts 5, 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; 8130.8800, subpart 4.

H.F. No. 2540 was read the second time.

Senator Rest moved that H.F. No. 2540 be laid on the table. The motion prevailed.

Pursuant to Rule 26, Senator Rest, designee of the Chair of the Committee on Rules and Administration, designated H.F. No. 2521 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 2521: A bill for an act relating to lawful gambling; making various changes to lawful gambling provisions; amending Minnesota Statutes 2002, sections 349.15, subdivision 2; 349.163, subdivision 9; 349.1711, by adding a subdivision; 349.18, subdivision 2; 349.19, subdivision 5; 349.2127, subdivision 8; Minnesota Statutes 2003 Supplement, sections 349.167, subdivisions 2, 4; 349.18, subdivision 1; 349.211, subdivision 1; repealing Minnesota Statutes 2002, section 349.1711, subdivision 4.

Senator Vickerman moved that the amendment made to H.F. No. 2521 by the Committee on Rules and Administration in the report adopted March 29, 2004, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

Senator Reiter moved to amend H.F. No. 2521, as amended pursuant to Rule 45, adopted by the Senate March 29, 2004, as follows:

(The text of the amended House File is identical to S.F. No. 2435.)

Page 1, after line 12, insert:

"Section 1. Minnesota Statutes 2002, section 245.98, is amended by adding a subdivision to read:

Subd. 6. [STATEWIDE TOLL-FREE TELEPHONE NUMBER.] Gambling establishments, as defined in section 256.9831, subdivision 1, that display the statewide compulsive gambling toll-free telephone number in advertisements or in gambling promotions must acknowledge that the toll-free telephone number is paid for in whole or in part with state funds."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

H.F. No. 2521 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Foley	Kiscaden	Marko	Ortman
Bachmann	Frederickson	Kleis	Marty	Ourada
Bakk	Gaither	Knutson	McGinn	Pappas
Belanger	Hann	Koering	Metzen	Pariseau
Berglin	Higgins	Kubly	Michel	Pogemiller
Betzold	Hottinger	Langseth	Moua	Ranum
Chaudhary	Johnson, D.J.	Larson	Murphy	Reiter
Day	Jungbauer	LeClair	Neuville	Rest
Dibble	Kelley	Limmer	Nienow	Robling
Fischbach	Kierlin	Lourey	Olson	Rosen

Ruud
Sams
Saxhaug

Scheid
Senjem
Skoe

Skoglund
Solon
Sparks

Stumpf
Tomassoni
Vickerman

Wergin
Wiger

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Foley moved that S.F. No. 2790, No. 83 on General Orders, be stricken and re-referred to the Committee on Crime Prevention and Public Safety. The motion prevailed.

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Senator Jungbauer introduced--

S.F. No. 3051: A bill for an act relating to taxation; imposing a "dime-a-drink" tax on alcoholic beverages; increasing the tax on cigarettes and tobacco products; eliminating the MinnesotaCare tax on health care providers; making conforming changes; amending Minnesota Statutes 2002, sections 62Q.095, subdivision 6; 214.16, subdivisions 2, 3; 297F.05, subdivisions 3, 4; 297F.10, subdivision 2; 297G.05, subdivisions 1, 2; 297G.10; Minnesota Statutes 2003 Supplement, sections 270.06; 270B.14, subdivision 1; 297F.05, subdivision 1; 297F.10, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 16A; 297F; 297G; repealing Minnesota Statutes 2002, sections 13.4967, subdivision 3; 295.50, subdivisions 1, 2, 2a, 3, 4, 6, 6a, 7, 9c, 10a, 10b, 12b, 13, 14, 15; 295.51; 295.52; 295.53, subdivisions 2, 3, 4a; 295.54; 295.55, subdivisions 1, 3, 4, 5, 6, 7; 295.56; 295.57; 295.58; 295.581; 295.582; 295.59; Minnesota Statutes 2003 Supplement, sections 295.50, subdivision 9b; 295.53, subdivision 1; 295.55, subdivision 2.

Referred to the Committee on Taxes.

Senator Skoe introduced--

S.F. No. 3052: A bill for an act relating to taxation; modifying the local government aid formula; eliminating taconite aids from the computation of city formula aid in the local government aid formula; increasing the appropriation for local government aid; reducing the amount of motor vehicle sales tax proceeds appropriated for transit; authorizing a metropolitan area sales tax for transit; appropriating money; amending Minnesota Statutes 2003 Supplement, sections 297B.09, subdivision 1; 477A.011, subdivisions 34, 36; 477A.013, subdivisions 8, 9; 477A.03, subdivision 2a; proposing coding for new law in Minnesota Statutes, chapter 473.

Referred to the Committee on Taxes.

MEMBERS EXCUSED

Senators Dille and Johnson, D.E. were excused from the Session of today.

ADJOURNMENT

Senator Rest moved that the Senate do now adjourn until 9:00 a.m., Thursday, April 29, 2004. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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