

FIFTY-FOURTH DAY

St. Paul, Minnesota, Friday, May 6, 2005

The Senate met at 8:30 a.m. and was called to order by the President.

CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Lt. Col. Rob Lubben.

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

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

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.

May 5, 2005

The Honorable James P. Metzen
President of the Senate

Dear President Metzen:

Please be advised that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 1116, 453, 180, 244 and 1252.

Sincerely,
Tim Pawlenty, Governor

May 5, 2005

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 2005 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 2005	Date Filed 2005
1116		31	3:00 p.m. May 5	May 5
453		32	3:05 p.m. May 5	May 5
180		33	11:04 p.m. May 5	May 5
	1189	34	3:09 p.m. May 5	May 5
	2126	35	3:15 p.m. May 5	May 5
244		36	3:17 p.m. May 5	May 5
	1334	37	3:20 p.m. May 5	May 5
	47	38	3:25 p.m. May 5	May 5
1252		39	3:25 p.m. May 5	May 5
	218	40	2:35 p.m. May 5	May 5

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 House Files, herewith transmitted: H.F. Nos. 902 and 1420.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 5, 2005

FIRST READING OF HOUSE BILLS

The following bills were read the first time.

H.F. No. 902: A bill for an act relating to state government; appropriating money for environmental and natural resources purposes; establishing and modifying certain programs; reorganizing environmental agencies; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; amending Minnesota Statutes 2004, sections 15.01; 16A.125, subdivision 5; 84.027, subdivisions 12, 15, by adding a subdivision; 84.0274, by adding subdivisions; 84.0911, subdivision 2; 84.631; 84.775, subdivision 1; 84.788, subdivision 3, by adding a subdivision; 84.789, by adding a subdivision; 84.791, subdivisions 1, 2; 84.798, subdivision 1, by adding a subdivision; 84.804, subdivision 3; 84.82, subdivision 2, by adding a subdivision; 84.8205, subdivisions 1, 3, 4, 6; 84.83, subdivision 3; 84.86, subdivision 1; 84.91, subdivision 1; 84.922, subdivision 2, by adding a subdivision; 84.925, subdivision 1, by adding a

subdivision; 84.9256, subdivision 1; 84.9257; 84.926; 84.928, subdivisions 1, 2; 84D.03, subdivision 4; 85.015, subdivision 5; 85.053, subdivisions 1, 2; 85.055, subdivision 2, by adding a subdivision; 85.42; 85.43; 86B.415, subdivisions 1, 2, 3, 4, 5, 6, by adding a subdivision; 88.17, subdivision 1, by adding subdivisions; 88.6435, subdivision 4; 89.039, subdivision 1; 89.19, subdivision 2; 89.36, subdivision 2; 89.37, subdivision 4; 92.03, subdivision 4; 93.22, subdivision 1; 94.342, subdivisions 1, 3, 4, 5; 94.343, subdivisions 1, 3, 7, 8, 10, by adding subdivisions; 94.344, subdivisions 1, 3, 5, 8, 10, by adding a subdivision; 97A.055, subdivision 4b; 97A.061, by adding a subdivision; 97A.071, subdivision 2; 97A.075, subdivision 3; 97A.135, subdivision 2a; 97A.4742, subdivision 4; 97A.485, subdivisions 6, 7; 97A.551, by adding a subdivision; 97B.015, subdivisions 1, 2, 5, 7; 97B.020; 97B.025; 97C.085; 97C.327; 97C.395, subdivision 1; 103F.535, subdivision 1; 103G.271, subdivision 6; 103G.301, subdivision 2; 103G.615, subdivision 2; 103I.681, subdivision 11; 115.06, subdivision 4; 115.551; 115A.03, subdivisions 21, 32a; 115A.06, subdivision 5; 115A.07, subdivision 1; 115A.072, subdivision 1; 115A.12; 115A.15, subdivision 7; 115A.38, subdivision 1; 115A.545, subdivision 1; 115A.929; 116.03, subdivision 1; 116.07, subdivision 4b; 116P.02, by adding a subdivision; 116P.03; 116P.04, subdivision 5; 116P.05, subdivision 2; 116P.07; 116P.08, subdivisions 3, 5, 6, 7, by adding subdivisions; 116P.09; 116P.10; 116P.11; 116P.12, subdivision 2; 116P.15, subdivision 2; 168.1296, subdivision 1; 169A.63, subdivision 6; 216B.2424, subdivisions 1, 2, 5a, 6, 8, by adding a subdivision; 282.08; 282.38, subdivision 1; 296A.18, subdivision 2; 297H.13, subdivision 2; 349.12, subdivision 25; 462.357, subdivision 1e; 473.846; 477A.12, by adding a subdivision; 477A.145; Laws 2003, chapter 128, article 1, section 5, subdivision 6; Laws 2003, chapter 128, article 1, section 9, subdivision 6; Laws 2003, chapter 128, article 1, section 167, subdivision 1; Laws 2004, chapter 220, section 1; proposing coding for new law in Minnesota Statutes, chapters 84; 86B; 92; 93; 97C; 116; 116P; 473; repealing Minnesota Statutes 2004, sections 84.901; 85.054, subdivision 1; 94.343, subdivision 6; 94.344, subdivision 6; 94.348; 94.349; 115A.03, subdivisions 8a, 22a; 115A.055, subdivision 1; 115A.158, subdivision 3; 115D.03, subdivision 4; 116.02, subdivision 5; 116.04; 116P.02, subdivisions 2, 4; 116P.05; 116P.06; 116P.08, subdivision 4; 473.197, subdivisions 1, 2, 3, 5; 473.801, subdivision 6.

Senator Johnson, D.E. moved that H.F. No. 902 be laid on the table. The motion prevailed.

H.F. No. 1420: A bill for an act relating to agriculture; appropriating money for agricultural purposes; establishing and modifying certain programs; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; providing for the issuance of state bonds; amending Minnesota Statutes 2004, sections 13.643, by adding a subdivision; 17.03, subdivision 13; 17.117, subdivision 11, by adding a subdivision; 17.452, by adding a subdivision; 17.982, subdivision 1; 17.983, subdivisions 1, 3; 17B.03, subdivision 1; 18B.08, subdivision 4; 18B.26, subdivision 3; 18B.31, subdivision 5; 18B.315, subdivision 6; 18B.32, subdivision 6; 18B.33, subdivision 7; 18B.34, subdivision 5; 18C.141, subdivisions 1, 3, 5; 18C.425, subdivision 6; 18E.03, subdivision 2; 18G.03, subdivision 1; 18G.10, subdivisions 5, 7; 18H.02, subdivisions 21, 22, 23, 32, 34, by adding a subdivision; 18H.05; 18H.06; 18H.07, subdivisions 1, 2, 3; 18H.09; 18H.13, subdivision 1; 18H.15; 18H.18, subdivision 1; 19.64, subdivision 1; 25.341, subdivision 2; 25.39, subdivisions 1, 4; 31.94; 35.02, subdivision 1; 35.03; 35.05; 35.155; 38.01; 38.16; 41A.09, subdivisions 2a, 3a; 41B.046, subdivision 5; 41B.049, subdivisions 2, 4; 116.07, subdivision 7a; 174.52, subdivision 5; 223.17, subdivisions 3, 6; 231.08, by adding subdivisions; 231.09; 231.11; 231.16; 231.18, subdivisions 3, 5; 232.22, subdivision 3; 236.02, subdivision 4; 327.23, subdivision 2, by adding a subdivision; 394.25, subdivision 3c; 462.355, subdivision 4; 462.357, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 16C; 25; 35; 41B; 156; 231; 583; 604; repealing Minnesota Statutes 2004, sections 17.451; 17.452, subdivisions 6, 6a, 7, 10, 11, 12, 13, 13a, 14, 15, 16; 17.983, subdivision 2; 18B.065, subdivision 5; 18H.02, subdivisions 15, 19; 19.64, subdivision 4a; 35.0661, subdivision 4; 41B.046, subdivision 3; Laws 1986, chapter 398, article 1, section 18, as amended; Minnesota Rules, parts 1560.7700; 1560.7750; 1560.7800; 1560.7850; 1560.7900; 1560.8000; 1560.8100; 1560.8200; 1560.8300; 1560.8400; 1560.8500; 1560.8600; 1560.8700; 1560.8800.

Senator Johnson, D.E. moved that H.F. No. 1420 be laid on the table. The motion prevailed.

REPORTS OF COMMITTEES

Senator Johnson, D.E. moved that the Committee Report at the Desk be now adopted. The motion prevailed.

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

S.F. No. 2206: A bill for an act relating to taxation; defining the term tax for purposes of Minnesota Statutes; amending Minnesota Statutes 2004, section 645.44, by adding a subdivision.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1**INDIVIDUAL INCOME TAX**

Section 1. Minnesota Statutes 2004, section 16A.152, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to the following accounts and purposes in priority order:

- (1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;
- (2) the budget reserve account established in subdivision 1a until that account reaches \$653,000,000;
- (3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent; ~~and~~
- (4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, paragraph (c), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20, by the same amount;
- (5) the amount necessary to eliminate requirements for accelerated payments of June tax liabilities under sections 287.12; 287.29; 289A.20, subdivision 4; 297F.09, subdivision 10, and 297G.09, subdivision 9;
- (6) the amount necessary to provide that interest is payable on claims for refunds of the sales tax paid on exempt capital equipment from the date the claim is filed with the commissioner and on other exempt items as provided in Minnesota Statutes 2002, section 297A.75, subdivision 4; and
- (7) the amount necessary to make payments of local government aids and taconite aid reimbursements in four installments in each of the months of March, July, September, and November as provided in Minnesota Statutes 1980, section 477A.01.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before any transfer is made under section 16A.1522.

(d) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

Sec. 2. Minnesota Statutes 2004, section 290.01, subdivision 7b, is amended to read:

Subd. 7b. [RESIDENT TRUST.] (a) Resident trust means a trust, except a grantor type trust, which either (1) was created by a will of a decedent who at death was domiciled in this state or (2) is an irrevocable trust, the grantor of which was domiciled in this state at the time the trust became irrevocable. For the purpose of this subdivision, a trust is considered irrevocable to the extent the grantor is not treated as the owner thereof under sections 671 to 678 of the Internal Revenue Code. The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code.

(b)(1) A trust, other than a grantor type trust, that became irrevocable before January 1, 1996, or that was administered in Minnesota before January 1, 1996, is a resident trust only if two or more of the following conditions are satisfied:

(i) a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;

(ii) a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota;

(iii) the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

(2) For purposes of this paragraph, if the trustees delegate decisions and actions to an agent or custodian, the actions and decisions of the agent or custodian must not be taken into account in determining whether the trust is administered in Minnesota, if:

(i) the delegation was permitted under the trust agreement;

(ii) the trustees retain the power to revoke the delegation on reasonable notice; and

(iii) the trustees monitor and evaluate the performance of the agent or custodian on a regular basis as is reasonably determined by the trustees.

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

Sec. 3. Minnesota Statutes 2004, section 290.01, subdivision 19a, as amended by 2005 S.F. No. 1683, article 2, section 3, if enacted, 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 or sales and use taxes paid or accrued within the taxable year under this chapter and income or sales and use 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 of 1986, as amended through June 15, 2003. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income or sales and use 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) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

~~(10) to the extent deducted in computing federal taxable income, the amount by which the standard deduction allowed under section 63(c) of the Internal Revenue Code exceeds the standard deduction allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through December 31, 2003;~~

~~(11) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans; and~~

~~(12) (11) the deduction or exclusion allowed under section 223 of the Internal Revenue Code for contributions to health savings accounts.~~

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

Sec. 4. Minnesota Statutes 2004, 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~~ \$29,070, 5.35 percent;
- (2) On all over ~~\$25,680~~ \$29,070, but not over ~~\$102,030~~ \$115,510, 7.05 percent;
- (3) On all over ~~\$102,030~~ \$115,510, but not over ~~\$250,000~~, 7.85 percent; and

(4) On all over \$250,000, 10.65 percent for taxable years beginning after December 31, 2004, and before the fourth bracket termination year as defined in paragraph (f). For the fourth bracket termination year and subsequent taxable years, the income included in this clause will be subject to the rate in clause (3).

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~~ \$19,890, 5.35 percent;
- (2) On all over ~~\$17,570~~ \$19,890, but not over ~~\$57,710~~ \$65,330, 7.05 percent;
- (3) On all over ~~\$57,710~~ \$65,330, but not over ~~\$166,665~~, 7.85 percent; and

(4) On all over \$166,665, 10.65 percent for taxable years beginning after December 31, 2004, and before the fourth bracket termination year as defined in paragraph (f). For the fourth bracket termination year and subsequent taxable years, the income included in this clause will be subject to the rate in clause (3).

(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~~ \$24,490, 5.35 percent;
- (2) On all over ~~\$21,630~~ \$24,490, but not over ~~\$86,910~~ \$98,390, 7.05 percent;
- (3) On all over ~~\$86,910~~ \$98,390, but not over ~~\$208,330~~, 7.85 percent; and

(4) On all over \$208,330, 10.65 percent for taxable years beginning after December 31, 2004, and before the fourth bracket termination year as defined in paragraph (f). For the fourth bracket termination year and subsequent taxable years, the income included in this clause will be subject to the rate in clause (3).

(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).

(f) In this subdivision, the fourth bracket termination year is the first taxable year beginning after the commissioner of finance has determined that there will be a positive unrestricted budgeting general fund balance at the close of the biennium that is sufficient to complete the allocations required under section 16A.152, subdivision 2.

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

Sec. 5. Minnesota Statutes 2004, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~2000~~ 2005, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2004, and before January 1, ~~2001~~ 2006. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~ 2004" shall be substituted for the word "1992." For ~~2001~~ 2006, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2004, to the 12 months ending on August 31, ~~2000~~ 2005, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2004, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

Sec. 6. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 32. [DAIRY INVESTMENT CREDIT.] (a) A dairy investment credit is allowed against the tax computed under this chapter equal to the credit amount in the table, based on the amount paid or incurred by the taxpayer in the tax year and certified by the commissioner of agriculture under paragraph (f), for qualifying expenditures:

<u>Amount of qualifying expenditures</u>	<u>Credit amount</u>
<u>up to \$500,000</u>	<u>ten percent of qualifying expenditures</u>
<u>over \$500,000, but not</u>	<u>\$50,000, plus nine percent</u>

<u>more than \$600,000</u>	<u>of the amount of qualified expenditures in excess of \$500,000</u>
<u>over \$600,000, but not more than \$700,000</u>	<u>\$59,000, plus seven percent of the amount of qualified expenditures in excess of \$600,000</u>
<u>over \$700,000, but not more than \$800,000</u>	<u>\$66,000, plus five percent of the amount of qualified expenditures in excess of \$700,000</u>
<u>over \$800,000, but not more than \$900,000</u>	<u>\$71,000, plus three percent of the amount of qualified expenditures in excess of \$800,000</u>
<u>over \$900,000, but not more than \$1,000,000</u>	<u>\$74,000, plus one percent of the amount of qualified expenditures in excess of \$900,000</u>
<u>\$1,000,000 or more</u>	<u>\$75,000</u>

(b) "Qualifying expenditures," for purposes of this subdivision, means the expenses incurred for dairy animals for the construction or improvement of buildings or facilities, or the acquisition of equipment, for dairy animal housing, confinement, animal feeding, milk production, and waste management, including, but not limited to, the following:

- (1) freestall barns;
- (2) fences;
- (3) watering facilities;
- (4) feed storage and handling equipment;
- (5) milking parlors;
- (6) robotic equipment;
- (7) scales;
- (8) milk storage and cooling facilities;
- (9) bulk tanks;
- (10) manure handling equipment and storage facilities;
- (11) digesters;
- (12) equipment used to produce energy; and
- (13) on-farm processing.

Qualifying expenditures only include amounts that are capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

(c) The credit is limited to the liability for tax, as computed under this section for the taxable year for which the credit certificate is issued. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a dairy investment credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is 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 shall not exceed the taxpayer's liability for tax less the dairy investment credit for the taxable year.

(d) For a partnership or S corporation, the maximum amount of the credit applies to the entity, not the individual partner or shareholder.

(e) To be eligible for the dairy investment credit in this subdivision, a taxpayer must apply to the commissioner of agriculture for a tax credit certificate. The application must be made on forms prescribed by the commissioner of agriculture and must include a statement of the qualifying expenditures by the taxpayer.

(f) The commissioner of agriculture shall certify credits in the order the forms required under paragraph (e) are received and approved by the commissioner of agriculture, until the maximum credit amount for the taxable year has been reached. The maximum credit amount is \$900,000 for tax years beginning after December 31, 2004, and before January 1, 2006; \$2,000,000 for tax years beginning after December 31, 2005, and before January 1, 2007; \$3,500,000 for tax years beginning after December 31, 2006, and before January 1, 2008; and \$4,000,000 per year for tax years beginning after December 31, 2007.

Any eligible applications for which certificates are not issued in a tax year because the commissioner of agriculture has issued certificates totaling the maximum credit amount for that tax year remain eligible for a credit certificate in subsequent tax years, in the order in which the forms were received by the commissioner of agriculture.

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

Sec. 7. Minnesota Statutes 2004, section 290.17, subdivision 2, is amended to read:

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

(a)(1) Subject to paragraphs (a)(2), and (a)(3), and ~~(a)(4)~~, income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

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

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

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

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

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:~~

~~(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and~~

~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

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

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

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

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

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

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

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

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2005.

ARTICLE 2

CORPORATE FRANCHISE TAX

Section 1. Minnesota Statutes 2004, section 290.01, subdivision 6b, is amended to read:

Subd. 6b. [FOREIGN OPERATING CORPORATION.] The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

- (1) it is part of a unitary business at least one member of which is taxable in this state;
- (2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year; and
- (3) either (i) the average of the percentages of its property and payrolls assigned to locations inside outside the United States and the District of Columbia, excluding the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 20 80 percent or less greater and it has at least \$2,000,000 of property and \$1,000,000 of payroll as determined under section 290.191 or 290.20; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code.

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

Sec. 2. Minnesota Statutes 2004, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

- (1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;
- (2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;
- (3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;
- (4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:
 - (i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and
 - (ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;
- (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:
 - (i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;
 - (ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;
 - (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and
 - (iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

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

~~(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;~~

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

~~(12) (11) 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) (12) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;~~

~~(14) (13) 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) (14) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;~~

~~(16) (15) 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) (16) 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) (17) 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) (18) 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, 2004.

Sec. 3. Minnesota Statutes 2004, 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.

(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. The dividends-received deduction must not be allowed on dividends, interest, royalties, or capital gains received by the foreign operating corporation included in the deemed dividend.

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 tax years beginning after December 31, 2004.

ARTICLE 3

SALES TAX

Section 1. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

Subd. 37. [EVENT SOUVENIR CLOTHING.] "Event souvenir clothing" is clothing that is sold at a state-subsidized facility and that bears a name, image, or logo of the entertainer, athlete, or team that performs at the facility. As used in this subdivision, a "state-subsidized facility" means the Metrodome financed under section 473.581, the basketball arena that receives payments from the Amateur Sports Commission under section 473.556, subdivision 16, the hockey arena that received a loan of state funds under Laws 1998, chapter 404, section 23, subdivision 6, and the entertainment and convention center that received a grant under Laws 1998, chapter 404, section 23, subdivision 9.

[EFFECTIVE DATE.] This section is effective for sales after June 30, 2005.

Sec. 2. Minnesota Statutes 2004, section 297A.67, subdivision 6, is amended to read:

Subd. 6. **[OTHER EXEMPT MEALS.]** (a) Meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to handicapped persons and their spouses by governmental agencies, nonprofit organizations, or churches, or pursuant to any program funded in whole or in part through United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or served, are exempt.

(b) Meals or drinks purchased for and served exclusively to children who are less than 14 years of age or disabled children who are less than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

(1) purchased by a nonprofit child care facility that is exempt under section 297A.70, subdivision 4, and that primarily serves families with income of 250 percent or less of federal poverty guidelines; and

(2) prepared at the site of the child care facility.

[EFFECTIVE DATE.] This section is effective for sales after December 31, 1997.

Sec. 3. Minnesota Statutes 2004, section 297A.67, subdivision 7, is amended to read:

Subd. 7. **[MEDICINES DRUGS; MEDICAL DEVICES.]** (a) Prescribed Sales of the following drugs and medical devices are exempt:

(1) ~~drugs and medicine, and insulin, intended for internal or external use, in the cure, mitigation, treatment, or prevention of illness or disease in human beings are exempt. "Prescribed drugs and medicine" includes use, including over-the-counter drugs or medicine prescribed by a licensed health care professional.~~

(b) ~~Nonprescription medicines consisting principally (determined by the weight of all ingredients) of analgesics that are approved by the United States Food and Drug Administration for internal use by human beings are exempt. For purposes of this subdivision, "principally" means greater than 50 percent analgesics by weight.~~

(c) ~~Prescription glasses, hospital beds, fever thermometers, reusable;~~

(2) single-use finger-pricking devices for the extraction of blood, blood glucose monitoring machines, and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes, and therapeutic and;

(3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;

(4) ~~prosthetic devices are exempt. "Therapeutic devices" means devices that are attached or applied to the human body to cure, heal, or alleviate injury, illness, or disease, either directly or by administering a curative agent. "Prosthetic devices" means devices that replace injured, diseased, or missing parts of the human body, either temporarily or permanently;~~

(5) durable medical equipment for home use only;

(6) mobility enhancing equipment; and

(7) prescription corrective eyeglasses.

(b) For purposes of this subdivision:

(1) "Drug" means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages that is:

(i) recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them;

(ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or

(iii) intended to affect the structure or any function of the body.

(2) "Durable medical equipment" means equipment, including repair and replacement parts, but not including mobility enhancing equipment, that:

(i) can withstand repeated use;

(ii) is primarily and customarily used to serve a medical purpose;

(iii) generally is not useful to a person in the absence of illness or injury; and

(iv) is not worn in or on the body.

(3) "Mobility enhancing equipment" means equipment, including repair and replacement parts, but not including durable medical equipment, that:

(i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;

(ii) is not generally used by persons with normal mobility; and

(iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label must include a "drug facts" panel or a statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation. Over-the-counter drugs do not include grooming and hygiene products, regardless of whether they otherwise meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

(5) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

(6) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, worn on or in the body to:

(i) artificially replace a missing portion of the body;

(ii) prevent or correct physical deformity or malfunction; or

(iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 4. Minnesota Statutes 2004, section 297A.67, subdivision 8, is amended to read:

Subd. 8. [CLOTHING.] (a) Clothing is exempt. For purposes of this subdivision, "clothing" means all human wearing apparel suitable for general use.

(b) Clothing includes, but is not limited to, aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders;

boots; coats and jackets; costumes; children and adult diapers, including disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces; slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(c) Clothing does not include the following:

- (1) belt buckles sold separately;
- (2) costume masks sold separately;
- (3) patches and emblems sold separately;
- (4) sewing equipment and supplies, including but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;
- (5) sewing materials that become part of clothing, including but not limited to, buttons, fabric, lace, thread, yarn, and zippers;
- (6) clothing accessories or equipment;
- (7) sports or recreational equipment; and
- (8) protective equipment; and
- (9) event souvenir clothing.

Clothing also does not include apparel made from fur if a uniform definition of "apparel made from fur" is developed by the member states of the Streamlined Sales and Use Tax Agreement.

For purposes of this subdivision, "clothing accessories or equipment" means incidental items worn on the person or in conjunction with clothing. Clothing accessories and equipment include, but are not limited to, briefcases; cosmetics; hair notions, including barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational equipment" means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. Sports and recreational equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins. "Protective equipment" means items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. Protective equipment includes, but is not limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

[EFFECTIVE DATE.] This section is effective for sales after June 30, 2005.

Sec. 5. Minnesota Statutes 2004, section 297A.67, subdivision 29, is amended to read:

Subd. 29. **[SOLAR ENERGY EFFICIENT PRODUCTS.]** ~~(a) A residential lighting fixture or a compact fluorescent bulb is exempt if it has an energy star label.~~

~~(b) The following products are exempt if they have an energyguide label that indicates that the product meets or exceeds the standards listed below:~~

- ~~(1) an electric heat pump hot water heater with an energy factor of at least 1.9;~~
- ~~(2) a natural gas water heater with an energy factor of at least 0.62;~~

- ~~(3) a propane gas or fuel oil water heater with an energy factor of at least 0.62;~~
- ~~(4) a natural gas furnace with an annual fuel utilization efficiency greater than 92 percent; and~~
- ~~(5) a propane gas or fuel oil furnace with an annual fuel utilization efficiency greater than 92 percent.~~

~~(e) A photovoltaic device solar energy system, as defined in section 216C.06, subdivision 17, is exempt. For purposes of this subdivision, "photovoltaic device" means a solid-state electrical device, such as a solar module, that converts light directly into direct current electricity of voltage-current characteristics that are a function of the characteristics of the light source and the materials in and design of the device. A "solar module" is a photovoltaic device that produces a specified power output under defined test conditions, usually composed of groups of solar cells connected in series, in parallel, or in series-parallel combinations.~~

~~(d) For purposes of this subdivision, "energy star label" means the label granted to certain products that meet United States Environmental Protection Agency and United States Department of Energy criteria for energy efficiency. For purposes of this subdivision, "energyguide label" means the label that the United States Federal Trade Commissioner requires manufacturers to apply to certain appliances under United States Code, title 16, part 305.~~

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after August 1, 2005.

Sec. 6. Minnesota Statutes 2004, section 297A.68, subdivision 28, is amended to read:

Subd. 28. [MEDICAL SUPPLIES.] Medical supplies purchased by a licensed health care facility or licensed health care professional to provide medical treatment to residents or patients are exempt. The exemption does not apply to durable medical equipment or components of durable medical equipment, laboratory supplies, radiological supplies, and other items used in providing medical services. For purposes of this subdivision, "medical supplies" means adhesive and nonadhesive bandages, gauze pads and strips, cotton applicators, antiseptics, nonprescription drugs, eye solution, and other similar supplies used directly on the resident or patient in providing medical services.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 7. Minnesota Statutes 2004, section 297A.71, subdivision 12, is amended to read:

Subd. 12. [CHAIR LIFTS, RAMPS, ELEVATORS.] Chair lifts, ramps, and Elevators and building materials used to install or construct them chair lifts, ramps, and elevators are exempt, if they are authorized by a physician and installed in or attached to the owner's homestead. 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 sales and purchases made after June 30, 2005.

Sec. 8. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 33. [HYDROELECTRIC GENERATING FACILITY.] Materials and supplies used or consumed in the construction of a hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

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

[EFFECTIVE DATE.] This section is effective for sales made after December 31, 2004, and on or before December 31, 2007.

Sec. 9. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 40, and Laws 1998, chapter 389, article 8, section 30, and Laws 2003 First Special Session chapter 21, article 8, section 13, is amended to read:

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

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

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

(1) capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods ; and

(2) capital and operating expenses of cultural organizations in the city, provided that the amount spent under this clause must equal ten percent of the total amount spent under this paragraph in any year.

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

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

(e) No revenues from the tax authorized by subdivision 1 may be used to pay principal, premium, or interest on any bonds or other obligations except the bonds issued under subdivision 3.

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

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

Sec. 10. Laws 2001, First Special Session chapter 5, article 12, section 44, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for sales and purchases made after July 31, 2001, and before August 1, 2005.

Sec. 11. [COUNTY OF MOWER; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law or ordinance, the county of Mower may, by resolution, impose a sales and use tax of up to one-half percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, 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 solely used to pay for costs associated with a Criminal Justice Center for Mower County. Government functions to be located in the facility for which proceeds of the tax may be used include, but are not limited to, jail, law enforcement, dispatch, courts, court administration, correctional services, and county attorney.

Authorized expenses include, but are not limited to, site acquisition, infrastructure, construction, and professional fees related to the project.

Subd. 3. [BONDING AUTHORITY.] (a) The county may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditures and improvements authorized by the referendum under subdivision 4. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

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

Subd. 4. [REFERENDUM.] If the county of Mower proposes to impose the tax authorized by this section, the question of imposing the tax must be submitted to the voters at either a special election held before January 1, 2006, or at the next general election.

Subd. 5. [TERMINATION OF TAXES.] The tax imposed under this section expires when the county board first determines that the amount of revenues raised to pay for the Criminal Justice Center project under subdivision 2 meet or exceed approved project costs. Any funds remaining after completion of the projects may be placed in the general funds of the county. The county may rescind the tax imposed under this section at an earlier time by ordinance.

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

Sec. 12. [CITY OF WORTHINGTON; 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, at the next general election, the city of Worthington may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 3. Except as otherwise provided in this section, 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 Worthington 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 and administering the taxes and to pay for the costs of a multipurpose city facility to include meeting rooms, a swimming pool, and a senior citizen center, and to make renovations to the Memorial Auditorium. 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) If the tax authorized under subdivision 1 is approved by the voters, 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 \$7,800,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) 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) ten years, or (2) when the city council determines that the amount of revenue received from the taxes to pay for the projects under subdivision 3 equals or exceeds \$7,800,000 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 shall be placed in a capital project 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 Worthington and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 4

PROPERTY TAX AND AIDS

Section 1. Minnesota Statutes 2004, section 123B.53, subdivision 5, is amended to read:

Subd. 5. [EQUALIZED DEBT SERVICE LEVY.] (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted debt service net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) \$3,200.

(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted debt service net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) \$8,000.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006.

Sec. 2. Minnesota Statutes 2004, section 126C.01, is amended by adding a subdivision to read:

Subd. 2a. [DEBT SERVICE NET TAX CAPACITY.] A school district's debt service net tax capacity means the net tax capacity of the taxable property of the district as adjusted by the commissioner of revenue under section 127A.48, subdivision 17. The debt service net tax capacity for any given calendar year must be used to compute the debt service levy limitations for levies certified in the succeeding calendar year and aid for the school year beginning in the second succeeding calendar year.

[EFFECTIVE DATE.] This section is effective the day following final enactment for computing taxes payable in 2006.

Sec. 3. Minnesota Statutes 2004, section 127A.48, is amended by adding a subdivision to read:

Subd. 17. [DEBT SERVICE NET TAX CAPACITY.] To calculate each district's debt service net tax capacity, the commissioner of revenue must recompute the amounts in this section using an alternative sales ratio comparing the sales price to the estimated market value of the property.

[EFFECTIVE DATE.] This section is effective the day following final enactment for computing taxes payable in 2006.

Sec. 4. Minnesota Statutes 2004, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased, except the base level shall not exceed 55 percent of the county allocation provided in subdivision 1 for fiscal year 2006; 50 percent in fiscal year 2007; 45 percent in fiscal year 2008; and 40 percent in fiscal year 2009. Thereafter the maximum base level shall decrease by five percent each year until the maximum county match is 15 percent. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund.

Sec. 5. Minnesota Statutes 2004, section 272.02, subdivision 53, is amended to read:

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

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

Construction of the facility must be commenced after ~~January 1, 2002~~ December 31, 2004, and before January 1, ~~2005~~ 2007. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

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

Sec. 6. Minnesota Statutes 2004, 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 either a simple-cycle, combustion-turbine electric generation facility, or a combined-cycle, combustion-turbine electric generation facility that does not exceed 325 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize either a simple-cycle or a combined-cycle combustion-turbine generator fueled by natural gas;

(2) be connected to an existing 115-kilovolt high-voltage electric transmission line that is within two miles of the facility;

(3) be located on an underground natural gas storage aquifer;

(4) be designed as either a peaking or intermediate load facility; and

(5) have received, by resolution, the approval from the governing body of the county for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2006, 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. 7. Minnesota Statutes 2004, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. [EFFICIENCY DETERMINATION AND CERTIFICATION.] An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the forms and procedures for this application. Upon receiving the application, the commissioner of revenue shall request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility. ~~In calculating the efficiency of a facility, The commissioner of commerce shall use a definition of calculate efficiency which calculates efficiency as the sum of:~~

~~(1) the useful electrical power output; plus~~

~~(2) the useful thermal energy output; plus~~

~~(3) the fuel energy of the useful chemical products,~~

all divided by the total energy input to the facility, expressed as a percentage as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the ~~high heating value~~ Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the

commissioner of revenue and to the applicant. ~~The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.~~

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

Sec. 8. Minnesota Statutes 2004, section 272.0211, subdivision 2, is amended to read:

Subd. 2. [SLIDING SCALE EXCLUSION.] Based upon the efficiency determination provided by the commissioner of commerce as described in subdivision 1, the commissioner of revenue shall subtract ~~five~~ eight percent of the taxable market value of the qualifying property for each percentage point that the efficiency of the specific facility, as determined by the commissioner of commerce, is above ~~35~~ 40 percent. The reduction in taxable market value shall be reflected in the taxable market value of the facility beginning with the assessment year immediately following the determination. For a facility that is assessed by the county in which the facility is located, the commissioner of revenue shall certify to the assessor of that county the percentage of the taxable market value of the facility to be excluded.

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

Sec. 9. Minnesota Statutes 2004, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment year 2002, the amount of the increase shall not exceed the greater of (1) ten percent of the value in the preceding assessment, or (2) 15 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2003, the amount of the increase shall not exceed the greater of (1) 12 percent of the value in the preceding assessment, or (2) 20 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2004, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2005, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year 2006 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, excluding section 123B.53, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

[EFFECTIVE DATE.] This section is effective the day following final enactment for computing taxes payable in 2006.

Sec. 10. Minnesota Statutes 2004, 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 2006 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 2008, and in each year thereafter, the commissioner of finance shall deposit in the education reserve account established in 2005 S.F. No. 1683, article 4, section 73, if enacted, 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 2006 and subsequent years.

Sec. 11. Minnesota Statutes 2004, 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 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.

(j) The governing body of a county, city, or school district may, with the consent of the county auditor, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

Sec. 12. Minnesota Statutes 2004, section 469.033, subdivision 6, is amended to read:

Subd. 6. [OPERATION AREA AS TAXING DISTRICT, SPECIAL TAX.] All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy a tax upon all taxable property within that taxing district. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed 0.0144 percent of taxable market value for the current levy year, notwithstanding section 273.032. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget.

Sec. 13. Minnesota Statutes 2004, section 473F.08, subdivision 3a, is amended to read:

Subd. 3a. [BLOOMINGTON COMPUTATION.] Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, after the Hennepin County auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin County auditor to the administrative auditor pursuant to subdivision 5. The Hennepin County auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. For property taxes payable from the year ~~2006~~ 2014 through ~~2015~~ 2023, the Hennepin County auditor shall adjust Bloomington's contribution to the areawide gross tax capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide tax rate for taxes payable in the previous year.

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

Sec. 14. Minnesota Statutes 2004, 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 2002 implicit price deflator for state and local government purchases.

(e) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 15. Minnesota Statutes 2004, section 477A.011, subdivision 36, as amended by Laws 2005, chapter 38, section 1, 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) 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.

(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.

(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.

(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.

(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) 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 year 2006 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 2006 only.

(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) 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) 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.

(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.

(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.

(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 2006 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in 2006 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.

(s) The city aid base for a city is increased by \$500,000 in calendar year 2006 and thereafter, and the maximum amount of total aid the city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$500,000 in calendar year 2006 only, provided that:

- (1) the city is located outside of the seven-county metropolitan area;
- (2) the city's 2000 population is between 10,000 and 20,000;
- (3) the net levy of the city used in calculating 2005 aid under section 477A.013 is greater than \$350 per capita; and
- (4) the city's commercial industrial percentage under subdivision 32, for aids payable in 2005, was at least 20 percent.

(t) The city aid base for a city is increased by \$25,000 in 2006 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2006, except that the striking of paragraph (f) is effective beginning with aids payable in 2004.

Sec. 16. Minnesota Statutes 2004, section 477A.0124, subdivision 4, is amended to read:

Subd. 4. [COUNTY TAX-BASE EQUALIZATION AID.] (a) For 2005 2006 and subsequent years, the money appropriated to county tax-base equalization aid each calendar year, after the payment under paragraph (f), shall be apportioned among the counties according to each county's tax-base equalization aid factor.

(b) A county's tax-base equalization aid factor is equal to the amount by which (i) \$185 times the county's population, exceeds (ii) 9.45 percent of the county's net tax capacity.

(c) In the case of a county with a population less than 10,000, the factor determined in paragraph (b) shall be multiplied by a factor of three.

(d) In the case of a county with a population greater than or equal to 10,000, but less than 12,500, the factor determined in paragraph (b) shall be multiplied by a factor of two.

(e) In the case of a county with a population greater than 500,000, the factor determined in paragraph (b) shall be multiplied by a factor of 0.25.

(f) Before the money appropriated to county base equalization aid is apportioned among the counties as provided in paragraph (a), an amount up to \$73,259 is allocated annually to Anoka County and up to \$59,664 is annually allocated to Washington County for the county to pay postretirement costs of health insurance premiums for court employees. The allocation under this paragraph is in addition to the allocations under paragraphs (a) to (e).

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 17. Minnesota Statutes 2004, 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.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 18. Minnesota Statutes 2004, 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.~~

(e) For aids payable in 2005 and thereafter, the total aid for any city shall not exceed the sum of (1) ten 50 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) (c) 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. 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.~~

(d) For aids payable in 2006 only, the total aid for a city with a population less than 1,000 must not be less than 105 percent of the amount it was certified to receive in 2005.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 19. [477A.0133] [COUNTY CRIMINAL JUSTICE AID.]

Subdivision 1. [PURPOSE.] County criminal justice aid is provided for the sole purpose of reducing the reliance of county criminal justice and corrections programs and associated costs on local property taxes.

County criminal justice aids must be used to pay expenses associated with criminal justice activities, specifically probation and supervised release caseload reductions, chemical dependency treatment, mental health programs, and assistance to crime victims.

Subd. 2. [DEFINITIONS.] For the purposes of this section, the following definitions apply:

(1) "population" means the population according to the most recent federal census, or according to the state demographer's most recent estimate if it has been issued subsequent to the most recent federal census; and

(2) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

Subd. 3. [FORMULA.] Each calendar year, the commissioner of revenue shall distribute county criminal justice aid to each county in an amount determined according to the following formula:

(1) one-half shall be distributed to each county in the same proportion that the county's population is to the population of all counties in the state; and

(2) one-half shall be distributed to each county in the same proportion that the county's Part I crimes are to the total Part I crimes for all counties in the state.

Subd. 4. [PAYMENT DATES.] The aid amounts for each calendar year shall be paid as provided in section 477A.015.

Subd. 5. [REPORT.] By March 15 of each year following the year in which criminal justice aids are received, each county must file a report with the commissioner of revenue describing how criminal justice aids were spent, and demonstrating that they were used for criminal justice purposes.

Subd. 6. [ANNUAL APPROPRIATION.] Aid payments to counties under this section are limited to \$15,000,000 in 2006 and 2007 only.

Sec. 20. Minnesota Statutes 2004, 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 2006, the total aids paid under section 477A.013, subdivision 9, are increased to \$437,052,000 \$523,052,000. For aids payable in 2007 and subsequent years, the total aids paid under section 477A.013, subdivision 9, are increased by one plus the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year. The percentage increase used in this subdivision shall be no less than 2.5 percent and no greater than 5.0 percent. The total aids paid under section 477A.013, subdivision 9, shall not exceed the amount required for the need increase percentage to equal one. It is the intention of the legislature that the increased aid provided to cities be used to pay for public safety functions.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 21. Minnesota Statutes 2004, 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 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. 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 2006, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. For aids payable in 2007 and thereafter, the total aid under section 477A.0124, subdivision 4, is limited to \$105,132,923. 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. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. 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 2007 and thereafter.

Sec. 22. Laws 1994, chapter 587, article 9, section 8, subdivision 1, is amended to read:

Subdivision 1. [TAX LEVIES.] Notwithstanding Minnesota Statutes, section 471.24, each of the following cities or towns is authorized to levy a tax and make an appropriation not to exceed \$15,000 \$25,000 annually to the Lakeview Cemetery Association, operated by the town of Iron Range, for cemetery purposes: the city of Coleraine, the city of Bovey, and each town which is a member of the cemetery association.

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

Sec. 23. 2005 S.F. No. 467, section 1, the effective date, if enacted, is amended to read:

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005 2004, payable in 2006 2005, and thereafter.

Sec. 24. [COURT AID ADJUSTMENT.]

For aids payable in 2005 only, the amount of court aid paid to Anoka County under Minnesota

Statutes, section 273.1398, subdivision 4, is increased by \$36,630 for aids payable in 2005 only and the amount paid to Washington County under Minnesota Statutes, section 273.1398, subdivision 4, is increased by \$29,832 for aids payable in 2005 only.

[EFFECTIVE DATE.] This section is effective for aids payable in 2005 only.

Sec. 25. [SUPREME COURT BUDGET.]

The district courts general fund appropriation is reduced by \$66,462 in fiscal year 2006 and \$132,923 beginning in fiscal year 2007 to fund the amount transferred to county tax base equalization aid to fund the payments under Minnesota Statutes, section 477A.0124, subdivision 4, paragraph (f), and section 20.

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

Sec. 26. [CROW WING COUNTY SEWER DISTRICT; PILOT PROJECT.]

Subdivision 1. [POWERS.] In addition to the powers granted in Minnesota Statutes, chapter 116A, the county board for Crow Wing County, by resolution, may grant the following powers to a sewer district created by the county board under Minnesota Statutes, chapter 116A:

(1) provide that an authorized representative of the district, after presentation of credentials, may enter at reasonable times any premise to inspect or maintain an individual sewage treatment system, as defined in Minnesota Statutes, section 115.55, subdivision 1, paragraph (g);

(2) include areas of the county within the sewer district that are not contiguous and establish different systems for wastewater treatment in specific areas of the county;

(3) provide that each special service area that is managed by the sewer system or combination thereof constitutes a system under Minnesota Statutes, chapter 116A;

(4) delegate to the sewer district, by resolution, all or a portion of its administrative and enforcement obligations with respect to individual sewage treatment systems under Minnesota Statutes, chapter 115, and rules adopted by the Pollution Control Agency;

(5) modify any individual sewage treatment system to provide reasonable access to it for inspection and maintenance; and

(6) neither the approval nor the waiver of the county board, nor confirmation by order of the district court, shall be required for the sewer commission to exercise the powers set forth in Minnesota Statutes, section 116A.24.

Subd. 2. [REPORT.] If the Crow Wing County Board exercises the additional powers granted under subdivision 1, the county shall provide a report by January 15, 2009, to the senate and house committees with jurisdiction over environmental policy and taxes on the establishment and operation of the sewer district. The report must include:

(1) a description of the implementation of the additional powers granted under subdivision 1;

(2) available information on the effectiveness of the additional powers to control pollution in the county; and

(3) any recommendations for changes to Minnesota Statutes, chapter 116A, to broaden the authority for sewer districts to include any of the additional powers granted under subdivision 1.

[EFFECTIVE DATE.] This section is effective the day following compliance with Minnesota Statutes, section 645.021, subdivision 2.

Sec. 27. [DEVELOPMENT AUTHORIZED.]

Dakota County Regional Railroad Authority may exercise the powers conferred by Minnesota Statutes, section 398A.04, to plan, establish, acquire, develop, construct, purchase, enlarge,

extend, improve, maintain, equip, operate, regulate, and protect a bus rapid transit system located within the Cedar Avenue transitway corridor within Dakota County. The authority may levy for this purpose under Minnesota Statutes, section 398A.04, subdivision 8, to the extent the levy authority under that subdivision is not required to be used for that levy year for railroad purposes.

[EFFECTIVE DATE.] Pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), this section is effective without local approval the day following final enactment.

Sec. 28. [CITY OF WHITE BEAR LAKE.]

Subdivision 1. [PAYMENT REQUIRED.] The commissioner of revenue must make payments of \$52,482 on each of July 20, 2005, and December 26, 2005, to the city of White Bear Lake.

Subd. 2. [APPROPRIATION.] \$104,964 is appropriated from the general fund to the commissioner of revenue to make the payments required in this section.

ARTICLE 5

INTERNATIONAL ECONOMIC DEVELOPMENT ZONE

Section 1. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within an international economic development zone designated under section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the occupant of the property is a qualified business, as defined in section 469.321.

(b) The exemption applies beginning for the first assessment year after designation of the international economic development zone. The exemption applies to each assessment year that begins during the duration of the international economic development zone and to property occupied by July 1 of the assessment year by a qualified business. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the zone.

[EFFECTIVE DATE.] This section is effective beginning for property taxes assessed in 2006, payable in 2007.

Sec. 2. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 33. [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, 2005.

Sec. 3. Minnesota Statutes 2004, 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 after December 31, 2005.

Sec. 4. [469.321] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of sections 469.321 to 469.326, 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. 5. [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. 6. [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. 7. [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) exemption from the property tax as provided in section 272.02, subdivision 69;
- (2) 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;
- (3) the jobs credit allowed under section 469.327; and
- (4) tax increment financing as provided in this chapter.

Subd. 2. [DURATION.] (a) Except as provided in paragraph (b), the tax incentives described in subdivision 1, clauses (1) and (3), are available for no more than 12 consecutive taxable years for any taxpayer that claims them. The tax incentives described in subdivision 1, clause (2), 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 33, 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. 8. [469.325] [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, 2006, 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, 2005.

Sec. 9. [469.326] [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 (2) and (3), 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. 10. [469.327] [ADDITIONAL BENEFITS CONTINGENT ON JOBZ DETERMINATIONS.]

Notwithstanding section 469.312, subdivision 3, the governor may designate the international economic development zone as a job opportunity building zone if the governor reports to the tax committees of the senate and the house of representatives the following information:

(1) the estimated cost of providing the additional tax incentives provided under sections 469.310 to 469.320 to the international economic development zone; and

(2) the estimated cost of tax expenditures projected to have been obligated for all job opportunity building zone projects that have been approved before June 1, 2005.

Sec. 11. [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, 2005, along with any legislative recommendations.

ARTICLE 6
MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 270.0603, subdivision 3, is amended to read:

Subd. 3. [DISTRIBUTION.] The appropriate statement prepared in accordance with subdivisions 1 and 2 must be distributed by the commissioner to all taxpayers contacted with respect to the determination or collection of a tax, other than the providing of tax forms. Failure to receive the statement does not invalidate the determination or collection action, nor does it affect, modify, or alter any statutory time limits applicable to the determination or collection action, including the time limit for filing a claim for refund.

[EFFECTIVE DATE.] This section is effective the day following final enactment, except that for claims for refund, it is effective for claims filed after August 31, 2005.

Sec. 2. Minnesota Statutes 2004, section 270.0682, subdivision 1, is amended to read:

Subdivision 1. [BIENNIAL REPORT.] The commissioner of revenue shall report to the legislature by March 1 of each odd-numbered year on the overall incidence of ~~the income tax, sales and excise taxes, and property tax~~ taxes as defined in section 645.44, subdivision 19. The report shall present information on the distribution of the tax burden (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality, (2) by income classes, including at a minimum deciles of the income distribution, and (3) by other appropriate taxpayer characteristics.

Sec. 3. Minnesota Statutes 2004, section 272.02, subdivision 64, is amended to read:

Subd. 64. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone and to property occupied by July 1 of the assessment year by a qualified business. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the job opportunity building zone.

(e) This subdivision does not apply to captured net tax capacity in a tax increment financing district to the extent necessary to meet the debt repayment obligations of the authority if the property is also located within an agricultural processing zone.

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

Sec. 4. Minnesota Statutes 2004, section 429.021, subdivision 1, is amended to read:

Subdivision 1. [IMPROVEMENTS AUTHORIZED.] The council of a municipality shall have power to make the following improvements:

(1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the

beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.

(2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, and other appurtenances of a sewer system, within and without the corporate limits.

(3) To construct, reconstruct, extend, and maintain steam heating mains.

(4) To install, replace, extend, and maintain street lights and street lighting systems and special lighting systems.

(5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, and other appurtenances of a water works system, within and without the corporate limits.

(6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational facilities within or without the corporate limits.

(7) To plant trees on streets and provide for their trimming, care, and removal.

(8) To abate nuisances and to drain swamps, marshes, and ponds on public or private property and to fill the same.

(9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

(10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

(11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and promote a pedestrian skyway system. Such improvement may be made upon a petition pursuant to section 429.031, subdivision 3.

(12) To acquire, construct, reconstruct, extend, operate, maintain, and promote underground pedestrian concourses.

(13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public malls, plazas or courtyards.

(14) To construct, reconstruct, extend, and maintain district heating systems.

(15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection systems in existing buildings, but only upon a petition pursuant to section 429.031, subdivision 3.

(16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway sound barriers.

(17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution facilities owned by a municipal gas or electric utility.

(18) To purchase, install, and maintain signs, posts, and other markers for addressing related to the operation of enhanced 911 telephone service.

(19) To improve, construct, extend, and maintain facilities for Internet access and other communications purposes, if the council finds that:

(i) the facilities are necessary to make available Internet access or other communications services that are not and will not be available through other providers or the private market in the reasonably foreseeable future; and

(ii) the service to be provided by the facilities will not compete with service provided by private entities.

(20) To assess affected property owners for all or a portion of the costs agreed to with an electric utility, telecommunications carrier, or cable system operator to bury or alter a new or existing distribution system within the public right-of-way that exceeds the utility's design and construction standards, or those set by law, tariff, or franchise, but only upon petition under section 429.031, subdivision 3.

Sec. 5. Minnesota Statutes 2004, section 469.015, subdivision 4, is amended to read:

Subd. 4. [EXCEPTIONS.] (a) An authority need not require competitive bidding in the following circumstances:

(1) in the case of a contract for the acquisition of a low-rent housing project:

(i) for which financial assistance is provided by the federal government;

(ii) which does not require any direct loan or grant of money from the municipality as a condition of the federal financial assistance; and

(iii) for which the contract provides for the construction of the project upon land that is either owned by the authority for redevelopment purposes or not owned by the authority at the time of the contract but the contract provides for the conveyance or lease to the authority of the project or improvements upon completion of construction;

(2) with respect to a structured parking facility:

(i) constructed in conjunction with, and directly above or below, a development; and

(ii) financed with the proceeds of tax increment or parking ramp general obligation or revenue bonds; ~~and~~

(3) until August 1, 2009, with respect to a facility built for the purpose of facilitating the operation of public transit or encouraging its use:

(i) constructed in conjunction with, and directly above or below, a development; and

(ii) financed with the proceeds of parking ramp general obligation or revenue bonds or with at least 60 percent of the construction cost being financed with funding provided by the federal government; and

(4) in the case of any building in which at least 75 percent of the usable square footage constitutes a housing development project if:

(i) the project is financed with the proceeds of bonds issued under section 469.034 or from nongovernmental sources;

(ii) the project is either located on land that is owned or is being acquired by the authority only for development purposes, or is not owned by the authority at the time the contract is entered into but the contract provides for conveyance or lease to the authority of the project or improvements upon completion of construction; and

(iii) the authority finds and determines that elimination of the public bidding requirements is necessary in order for the housing development project to be economical and feasible.

(b) An authority need not require a performance bond for the following projects:

(1) a contract described in paragraph (a), clause (1);

(2) a construction change order for a housing project in which 30 percent of the construction has been completed;

(3) a construction contract for a single-family housing project in which the authority acts as the general construction contractor; or

(4) a services or materials contract for a housing project.

For purposes of this paragraph, "services or materials contract" does not include construction contracts.

Sec. 6. Minnesota Statutes 2004, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] (a) Before formation of a tax increment financing district, the authority shall provide the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the authority's estimate of the fiscal and economic implications of the proposed tax increment financing district. The authority must provide the proposed tax increment financing plan and the information on the fiscal and economic implications of the plan to the county auditor and the clerk of the school district board at least 30 days before the public hearing required by subdivision 3. The information on the fiscal and economic implications may be included in or as part of the tax increment financing plan. The county auditor and clerk of the school board shall provide copies to the members of the boards, as directed by their respective boards. The 30-day requirement is waived if the boards of the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information.

(b) For purposes of this subdivision, "fiscal and economic implications of the proposed tax increment financing district" includes:

(1) an estimate of the total amount of tax increment that will be generated over the life of the district;

(2) a description of the probable impact of the district on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district;

(3) the estimated amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same;

(4) the estimated amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same; and

(5) any additional information requested by the county or the school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

[EFFECTIVE DATE.] This section is effective for all districts for which certification is requested after December 31, 2005.

Sec. 7. Minnesota Statutes 2004, section 645.44, is amended by adding a subdivision to read:

Subd. 19. [FEE AND TAX.] (a) "Tax" means any fee, charge, surcharge, or assessment imposed by a governmental entity on an individual, person, entity, transaction, good, service, or other thing. It excludes:

(1) a price that an individual or entity chooses voluntarily to pay in return for receipt of goods or services provided by the governmental entity; and

(2) a fine or penalty imposed for violation of a state or local law or ordinance.

A government good or service does not include access to or the authority to engage in private market transactions with a nongovernmental party, such as licenses to engage in a trade, profession, or business or to improve private property.

(b) For purposes of applying the laws of this state, a "fee," "charge," or other similar term that satisfies the functional requirements of paragraph (a) must be treated as a tax for all purposes, regardless of whether the statute or law names or describes it as a tax. The provisions of this

subdivision do not preempt or supersede limitations under law that apply to fees, charges, or assessments.

(c) This subdivision is not intended to extend or limit the application of article 4, section 18, of the Constitution of Minnesota.

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

Sec. 8. Laws 2003, chapter 128, article 1, section 172, is amended to read:

Sec. 172. [TEMPORARY PETROFUND FEE EXEMPTION FOR MINNESOTA COMMERCIAL AIRLINES.]

(a) A commercial airline providing regularly scheduled jet service and with its corporate headquarters in Minnesota is exempt from the fee established in Minnesota Statutes, section 115C.08, subdivision 3, until July 1, ~~2005~~ 2007, provided the airline develops a plan approved by the commissioner of commerce demonstrating that the savings from this exemption will go towards minimizing job losses in Minnesota, and to support the airline's efforts to avoid filing for federal bankruptcy protections.

(b) A commercial airline exempted from the fee is ineligible to receive reimbursement under Minnesota Statutes, chapter 115C, until July 1, ~~2005~~ 2007. A commercial airline that has a release during the fee exemption period is ineligible to receive reimbursement under Minnesota Statutes, chapter 115C, for the costs incurred in response to that release.

Sec. 9. [CITY OF ROSEMOUNT; TAX INCREMENT FINANCING.]

The city of Rosemount or a development authority of the city may spend increment from its Downtown - Brockway Tax Increment Financing (TIF) District to acquire parcels of property that the Department of Transportation or Dakota County acquired in connection with the realignment of marked Trunk Highway 3, notwithstanding the limits under Minnesota Statutes, section 469.1763, on the amount of increments that may be spent outside of the district or Minnesota Statutes, section 469.176, subdivision 4j, on the purposes for which increments may be spent.

[EFFECTIVE DATE.] This section is effective upon local approval by the governing body of the city of Rosemount under Minnesota Statutes, section 645.021.

Sec. 10. [APPROPRIATION.]

(a) \$125,000 in fiscal year 2006, \$125,000 in fiscal year 2007, and \$200,000 in each fiscal year thereafter, are appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services.

(b) "Taxpayer assistance services" mean accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the Department of Revenue and Internal Revenue Service.

Sec. 11. [APPROPRIATION.]

\$320,000 is appropriated from the general fund in fiscal year 2006 only to the commissioner of employment and economic development to be distributed to the city of Duluth to be used by the city for grants to enterprises related to environmental cleanup of Lake Superior and long-term community health care.

Sec. 12. [APPROPRIATION.]

The following amounts are appropriated to the commissioner of natural resources and must be deposited in the clean water legacy account in the environmental fund:

(1) \$31,500,000 in fiscal year 2006;

(2) \$3,000,000 in fiscal year 2007; and

(3) \$40,000,000 in fiscal years 2008 and subsequent years, but only after at least 50 percent of the Minnesota Total Maximum Daily Loads (TMDLs) have been established and approved by the Environmental Protection Agency under the federal Clean Water Act.

Sec. 13. [APPROPRIATION; AID PAYMENT SHIFTS.]

In fiscal year 2008, \$25,000,000 is appropriated from the general fund to the commissioner of finance to be used to buy back the aid payment shift provided in Minnesota Statutes, section 16A.152, subdivision 2, clause (3).

Sec. 14. [DEFERRED MAINTENANCE AID.]

For fiscal years 2006 and 2007 only, a district's deferred maintenance aid is equal to \$13.25 multiplied times its adjusted average daily membership for that year.

Sec. 15. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. [DEFERRED MAINTENANCE AID.] For deferred maintenance revenue under section 19, \$10,574,000 in fiscal year 2006 and \$10,416,000 in fiscal year 2007.

Sec. 16. [APPROPRIATION.]

\$2,000,000 is appropriated from the general fund on a onetime basis to the Higher Education Services Office. The appropriation must be deposited into the Rochester higher education development account. With the approval of the Higher Education Services Office, money in this account may be used to provide initial funding for academic program development for upperclass and graduate students. This appropriation is intended to be expended when matched by tax-deductible contributions from individuals and corporate taxpayers.

ARTICLE 7

TAX SHELTER AND VOLUNTARY COMPLIANCE INITIATIVES

Section 1. [289A.121] [REGISTRATION OF TAX SHELTERS.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the following terms have the meanings given.

(a) "Abusive tax avoidance transaction" means a Minnesota tax shelter or a reportable transaction.

(b) "Material advisor" has the meaning given in section 111(b)(1) of the Internal Revenue Code, and must be interpreted in accordance with any regulations or rulings adopted or issued by the Internal Revenue Service that govern that section.

(c) "Minnesota tax shelter" means a transaction which is not a reportable transaction, which substantially reduces a tax imposed under chapter 290 and has one or more of the following characteristics:

(1) it is offered to the taxpayer under conditions of confidentiality, as that term is defined in Treas. Reg. section 1.6011-4(3)(ii), and for which the taxpayer has paid a fee;

(2) the terms of the transaction offer the taxpayer or a related party the right to a full or partial refund of fees if all or part of the intended tax consequences of the transaction are not realized, or if fees are contingent upon the taxpayer realizing tax benefits;

(3) it is a transaction or a series of related transactions that result in a corporation or a partnership with only corporate partners claiming a reduction in net income in excess of \$10,000,000 in any combination of tax years;

(4) it is a transaction or a series of related transactions that result in an individual, a partnership with one or more corporate partners, S corporation, or trust claiming a reduction in net income in excess of \$4,000,000 in any combination of taxable years, whether or not any losses flow through to one or more shareholders or beneficiaries; or

(5) it is a transaction or series of related transactions, identified as a Minnesota tax shelter in a rule promulgated by the commissioner of revenue, entered into after the date the rule becomes effective.

(d) "Reportable transaction" has the meaning given in Treas. Reg. section 1.6011-4 between February 29, 2000, and January 1, 2006.

Subd. 2. [REPORTS BY MATERIAL ADVISORS.] (a) On the first day that a material advisor sells a Minnesota tax shelter or reportable transaction, the material advisor must file with the commissioner a copy of any federal tax shelter registration information relating to reportable transactions if that registration is applicable to any person subject to taxation under chapter 290.

(b) On or before April 15, 2006, material advisors must report to the commissioner all federal tax shelters used by a person subject to tax under chapter 290 that the material advisor offered for sale between February 28, 2000, and January 1, 2006, which were reportable transactions.

(c) On or before April 15, 2006, material advisors must report to the commissioner all Minnesota tax shelters that the material advisor offered for sale between February 28, 2000, and January 1, 2006, if the transactions would have had to be disclosed under subdivision 3 had it been in effect at that time.

(d) In addition to the requirements set forth in paragraphs (a), (b), and (c), a material advisor must report to the commissioner any transactions entered into on or after April 15, 2006, that become listed as reportable transactions or a Minnesota tax shelter.

Subd. 3. [MAINTAINING PARTICIPANT LISTS.] Any person organizing or selling Minnesota tax shelters or reportable transactions must maintain a list of participants that are subject to a tax imposed by this chapter.

Subd. 4. [REPORTING.] All persons, including material advisors who organize or sell Minnesota tax shelters or reportable transactions, must provide the following information to the commissioner within 20 days from receiving a written request from the commissioner to provide the information:

- (1) legal name of the taxpayer;
- (2) Minnesota tax identification number;
- (3) federal tax identification number; and
- (4) description of the Minnesota tax shelter or reportable transaction.

Subd. 5. [DISCLOSURE STATEMENTS BY TAXPAYERS.] Every person subject to taxation under this chapter who has participated in a reportable transaction or a Minnesota tax shelter which resulted in a tax decrease must file a disclosure statement on a form prescribed by the commissioner. The form must be filed with the tax return.

Sec. 2. Minnesota Statutes 2004, section 289A.38, is amended by adding a subdivision to read:

Subd. 15. [VOLUNTARY COMPLIANCE INITIATIVE.] Notwithstanding other limitations in the subdivision, an amount of tax related to a reportable transaction or a Minnesota tax shelter that is not reported in the voluntary compliance initiative described in section 4 may be assessed within eight and one-half years after the date the return is filed.

Sec. 3. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 26. [PENALTY FOR FAILURE TO REPORT A TAX SHELTER.] (a) A penalty of \$15,000 is imposed on a person who fails to register a tax shelter as required under section 289A.121 on or before the date prescribed.

(b) A penalty of \$10,000 is imposed on a person who fails to report to the commissioner a Minnesota tax shelter or a reportable transaction within 20 days of the date prescribed under section 289A.121. For each day after the 20th day that the person organizing or selling the Minnesota tax shelter or reportable transaction failed to make the information required in section 289A.121, subdivision 2, available to the commissioner after the commissioner made a written request for the list, an additional \$10,000 penalty is imposed on that person.

(c) A penalty is imposed on a person who fails to make a report required by section 289A.121, subdivision 2, on or before the date prescribed. The penalty is the greater of:

(1) \$100,000; or

(2) 50 percent of the gross income that the person derived from the activity.

(d) A penalty is imposed on a person who intentionally disregards the requirement to maintain and provide information required in section 289A.121. The penalty is the greater of:

(1) \$100,000; or

(2) 75 percent of the gross income that the person derived from the activity.

(e) A penalty of \$15,000 is imposed on a person who fails to provide a list required under section 289A.121, subdivision 4, which does not contain all the information required in that section.

Sec. 4. [TAX SHELTER VOLUNTARY COMPLIANCE INITIATIVE.]

Subdivision 1. [COMMISSIONER TO INITIATE.] The commissioner of revenue shall develop and administer a Minnesota tax shelter voluntary compliance initiative for taxpayers subject to Minnesota Statutes, section 289A.60, subdivision 26, as provided in this chapter.

Subd. 2. [TERM; APPLICATION.] The Minnesota tax shelter voluntary compliance initiative shall be conducted from July 1, 2005, to December 31, 2005, pursuant to Minnesota Statutes, section 270.07. The Minnesota tax shelter voluntary compliance initiative shall apply to tax liabilities and penalties attributable to Minnesota tax shelters and reportable transactions for tax years beginning before January 1, 2005. An abusive tax avoidance transaction means a Minnesota tax shelter or a reportable transaction as defined in Minnesota Statutes, section 289A.121, subdivision 1.

Subd. 3. [IMPLEMENTATION.] The commissioner of revenue may issue forms and instructions and take other actions necessary, including the use of agreements pursuant to Minnesota Statutes, section 270.67, to implement the Minnesota tax shelter voluntary compliance initiative.

Subd. 4. [PERSONS NOT ELIGIBLE TO PARTICIPATE.] (a) Any person is not eligible for participation in the Minnesota tax shelter voluntary compliance initiative, if:

(1) the taxpayer was convicted of a crime in connection with an abusive tax avoidance transaction or transactions;

(2) a criminal complaint was filed against the taxpayer in connection with an abusive tax avoidance transaction or transactions;

(3) the taxpayer is the subject of a criminal investigation in connection with an abusive tax avoidance transaction or transactions; or

(4) the taxpayer was eligible to participate in the Internal Revenue Service's Offshore Voluntary Compliance Initiative, as set forth in Revenue Procedure 2003-11.

Subd. 5. [ELIGIBLE PARTICIPANTS.] (a) Any person who is not ineligible to participate in the Minnesota tax shelter voluntary compliance initiative under subdivision 4, is eligible to participate in the Minnesota tax shelter voluntary compliance initiative.

(b) A person participating in the Minnesota tax shelter voluntary compliance initiative waiving the right to an administrative appeal, a claim for refund, or an action in district court must do both of the following:

(1) the participating person must file an amended return for each taxable year for which the taxpayer has filed a tax return using an abusive tax avoidance transaction to underreport the taxpayer's tax liability for that tax year. Each amended return shall report all income from all sources, without regard to the abusive tax avoidance transaction; and

(2) the participating person must pay taxes and interest due in full, except that the commissioner of revenue may enter into an installment payment agreement pursuant to Minnesota Statutes, section 270.67, prior to taxpayer filing an amended return.

(c) The commissioner of revenue shall abate all penalties imposed under Minnesota Statutes, chapter 289A, which could have been assessed in connection with the use of an abusive tax avoidance transaction, for each taxable year for which the taxpayer elects to participate in the Minnesota tax shelter voluntary compliance initiative, to the extent those penalties are a result of underreporting of tax liabilities attributable to the use of abusive tax avoidance transactions, for which a participating person files an amended return in compliance with paragraph (b).

(d) No criminal action shall be brought against a taxpayer for the taxable years reported under the Minnesota tax shelter voluntary compliance initiative with respect to the issues for which a taxpayer voluntarily complies under this chapter.

(e) A person filing an amended return under this paragraph of the Minnesota tax shelter voluntary compliance initiative may not file a claim for refund, an administrative appeal, or an action in district court in regard to the amount of taxes or interest paid with the amended return.

(f) A person participating in the Minnesota tax shelter voluntary compliance initiative not waiving the right to an administrative appeal, a claim for refund, or an action in district court must do both of the following:

(1) the participating person must file an amended return for each taxable year for which the taxpayer has filed a tax return using an abusive tax avoidance transaction to underreport the taxpayer's tax liability for that tax year. Each amended return shall report all income from all sources, without regard to the abusive tax avoidance transactions; and

(2) the participating person must pay taxes and interest due in full, except that the commissioner of revenue may enter into an installment payment agreement pursuant to Minnesota Statutes, section 270.67, prior to taxpayer filing an amended return.

(g) The commissioner of revenue shall abate all penalties imposed under Minnesota Statutes, chapter 289A, except for the penalty for intentional disregard of law or rules imposed under Minnesota Statutes, section 289A.60, subdivision 5, which could have been assessed in connection with the use of an abusive tax avoidance transaction, for each taxable year for which the taxpayer elects to participate in the Minnesota tax shelter voluntary compliance initiative, to the extent those penalties are a result of underreporting of tax liabilities attributable to the use of abusive tax avoidance transactions, for which a participating person files an amended return in compliance with paragraph (b).

(h) No criminal action shall be brought against a taxpayer for the taxable years reported under the Minnesota tax shelter voluntary compliance initiative with respect to the issues for which a taxpayer voluntarily complies under this chapter.

Sec. 5. [COMMISSIONER ORDERS AND PENALTIES.]

After December 31, 2005, the commissioner of revenue may issue an order of assessment within the time period permitted under Minnesota Statutes, section 289A.38, upon an amended return filed under this chapter for an underreported amount of tax, may impose penalties on an underreported amount of tax on an amended return filed under this chapter, or initiate a criminal action against any person based on any underreported amount of tax on an amended return filed under this chapter.

A penalty is imposed upon any person who:

(1) is not ineligible to file an amended return pursuant to this chapter;

(2) has engaged in abusive tax shelter transactions; and

(3) fails to voluntarily amend their tax returns for each taxable year for which an amended return may be filed and the person underreported income attributable to an abusive tax shelter transaction.

The penalty is equal to 200 percent of the underreported tax that is attributable to the abusive tax shelter transaction.

ARTICLE 8
PROPERTY TAX FREEZE

Section 1. [CITATION.]

This article may be cited as the "Truth and Fairness in Taxation Act" (TAFTA) or the "State/Local Fiscal Relations: Truth in Taxation Act."

Sec. 2. [STATEMENT OF PURPOSE.]

The legislature finds that the state of Minnesota is continuing to experience a persistent budget deficit and that reductions in state spending have resulted in increased burdens on school districts, counties, cities, and other units of local government. In order to maintain stability in state and local fiscal relations, the purpose of this act is to prevent property tax rate increases and to illuminate the impact of reductions in revenue to school districts, counties, cities, and other units of local government.

Sec. 3. [BENEFIT RATIO FOR RURAL SERVICE DISTRICTS.]

Notwithstanding Minnesota Statutes, section 272.67, subdivision 6, the benefit ratio used for apportioning levies to a rural service district for taxes payable in 2006 and any subsequent year prior to the freeze termination year must not be greater than that in effect for taxes payable in 2005.

Sec. 4. [PROHIBITION AGAINST INCURRING NEW DEBT.]

Subdivision 1. [ACTIONS PROHIBITED.] After May 31, 2006, no municipality as defined in Minnesota Statutes, section 475.51, or any special taxing district as defined in Minnesota Statutes, section 275.066, may sell obligations, certificates of indebtedness, or capital notes under Minnesota Statutes, section 412.301, chapter 475, or any other law authorizing obligations, certificates of indebtedness, capital notes, or other debt instruments, or enter into installment purchase contracts or lease purchase agreements under Minnesota Statutes, section 465.71, or any other law authorizing installment purchase contracts or lease purchase agreements, if issuing those debt instruments or entering into those contracts would require a levy first becoming payable in 2007 or any subsequent year prior to the freeze termination year.

Subd. 2. [EXCEPTIONS.] This prohibition does not apply to:

(1) refunding bonds sold to refund bonds originally sold before June 1, 2006;

(2) obligations for which the amount of the levy first becoming due in 2007 would not exceed the amount by which the municipality's total debt service levy for taxes payable in 2007 prior to issuance of those obligations is less than the municipality's total debt service levy for taxes payable in 2006; or

(3) obligations with respect to which the municipality makes a finding at the time of the issuance of the obligations that no levy will be required for taxes payable in 2007 or any subsequent year prior to the freeze termination year or to pay the debt service on the obligations because sufficient funds are available from nonproperty tax sources to pay the debt service.

As used in clauses (2) and (3), "obligations" includes certificates of indebtedness, capital notes, or other debt instruments or installment purchase contracts or lease purchase agreements.

Subd. 3. [DATE WHEN BONDS ARE DEEMED SOLD.] For purposes of this section, bonds will be deemed to have been sold before June 1, 2006, if:

(1) an agreement has been entered into between the municipality and a purchaser or underwriter for the sale of the bonds by that date;

(2) the issuing municipality is a party to a contract or letter of understanding entered into before June 1, 2006, with the federal government or the state government that requires the municipality to pay for a project, and the project will be funded with the proceeds of the bonds; or

(3) the proceeds of the bonds will be used to fund a project or acquisition with respect to which the municipality has entered into a contract with a builder or supplier before June 1, 2006.

Sec. 5. [LEVY LIMITATION FOR TAXES PAYABLE IN 2007 AND SUBSEQUENT YEARS.]

Subdivision 1. [PROPOSED LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.065, subdivision 1, in 2006 and any subsequent year prior to the freeze termination year, no taxing authority, other than a school district, shall certify to the county auditor a proposed property tax levy or, in the case of a township, a final property tax levy, greater than the levy certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year, except as provided in this section.

Subd. 2. [FINAL LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.07, subdivision 1, in 2006 and any subsequent year prior to the freeze termination year, no taxing authority, other than a school district, shall certify to the county auditor a property tax levy greater than the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year, except as provided in this section.

Subd. 3. [DEBT SERVICE EXCEPTION.] If a levy for taxes payable in 2007 or any subsequent year prior to the freeze termination year, for debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments sold prior to June 1, 2006, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to June 1, 2006, exceeds the levy a taxing authority certified pursuant to Minnesota Statutes, section 275.07, subdivision 1, for taxes payable in 2006 for the same purpose, the excess may be levied notwithstanding the limitations of subdivisions 1 and 2.

Subd. 4. [ANNEXATION EXCEPTION.] The city tax rate for taxes payable in 2007 or any subsequent year prior to the freeze termination year on any property annexed under Minnesota Statutes, chapter 414, may not be increased over the city or township tax rate in effect on the property for taxes payable in 2006, notwithstanding any law, municipal board order, or ordinance to the contrary. The limit on the annexing city's levy under subdivisions 1 and 2 may be increased in excess of that limit by an amount equal to the net tax capacity of the property annexed times the city or township tax rate in effect on that property for taxes payable in 2006. The levy limit of the city or township from which the property was annexed shall be reduced by the same amount.

Subd. 5. [SCHOOL DISTRICT EXCEPTIONS.] (a) For taxes payable in 2007 and subsequent years prior to the freeze termination year, no school district shall certify to the county auditor a property tax levy that exceeds the maximum levy that may be imposed by that district under 2005 S.F. No. 2267, if enacted, except as provided in paragraph (b).

(b) A school district that is in statutory operating debt under Minnesota Statutes, section 123B.81, and has an approved plan under Minnesota Statutes, section 123B.83, that includes an increase to its referendum allowance under Minnesota Statutes, section 126C.17, is exempt from the levy freeze on referenda according to this section.

Sec. 6. [FREEZE ON LOCAL MATCH REQUIREMENTS.]

Notwithstanding any other law to the contrary, the local funding or local match required from any city, town, or county for any state grant or program shall not be increased for calendar year 2007 or any subsequent year prior to the freeze termination year above the dollar amount of the local funding or local match required for the same grant or program in 2006, regardless of the level of state funding provided. Any local match or local funding requirement that first becomes effective after December 31, 2006, for new or changed state grants or programs shall not be effective until the freeze has been terminated for that taxing jurisdiction under section 14. Nothing in this section shall affect the eligibility of a city, town, or county for the receipt of state grants or program funds in 2007 or any subsequent year prior to the freeze termination year, or reduce the amount of state funding a city, town, or county would otherwise receive in 2007 or any subsequent year prior to the freeze termination year if the local match requirements of the state grant or program were met in 2006.

Sec. 7. [SUSPENSION OF SALARY AND BUDGET APPEAL AUTHORIZATION.]

After March 1, 2006, no county sheriff may exercise the authority granted under Minnesota Statutes, section 387.20, subdivision 7, and no county attorney may exercise the authority granted under Minnesota Statutes, section 388.18, subdivision 6, to the extent that the salary or budget increase sought in the appeal would result in an increase in county expenditures in calendar year 2007 or any subsequent year prior to the freeze termination year.

Sec. 8. [SUSPENSION OF PUBLICATION AND HEARING REQUIREMENTS.]

A local taxing authority is not required to comply with the public advertisement notice of Minnesota Statutes, section 275.065, subdivision 5a, or the public hearing requirement of Minnesota Statutes, section 275.065, subdivision 6, with respect to taxes payable in 2007 and any subsequent year prior to the freeze termination year.

Sec. 9. [TAX RATE FREEZE; REDUCTION OF LEVY.]

If in the course of determining local tax rates for taxes payable in 2007 or any subsequent year prior to the freeze termination year after reductions for disparity reduction aid under Minnesota Statutes, section 275.08, subdivisions 1c and 1d, the county auditor finds the local tax rate exceeds that in effect for taxes payable in 2006, the county auditor shall reduce the local government's levy so that the local tax rate does not exceed that in effect for taxes payable in 2006, adjusted as provided in section 5.

Sec. 10. [PENSION LIABILITIES.]

Notwithstanding any other law or charter provision to the contrary, no levy for taxes payable in 2007 or any subsequent year prior to the freeze termination year for a local police and fire relief association for the purpose of amortizing an unfunded pension liability may exceed the levy for that purpose for taxes payable in 2006.

Sec. 11. [DUTIES OF TOWNSHIP BOARD OF SUPERVISORS.]

Notwithstanding Minnesota Statutes, section 365.10, in 2006 the township board of supervisors shall adjust the levy and in any subsequent year prior to the freeze termination year, the township board of supervisors may adjust the expenditures of a township below the level authorized by the

electors to adjust for any reduction in the previously authorized levy of the township pursuant to section 5.

Sec. 12. [PROHIBITION ON NEW OR INCREASED FEES.]

After March 1, 2006, no municipality as defined in Minnesota Statutes, section 475.51, or special taxing district as defined in Minnesota Statutes, section 275.066, and no executive branch state agency may impose a new fee or increase the rate or amount of an existing fee. As used in this section, a fee is any charge for goods, services, regulations, or licensure, and includes charges for admission to or for use of public facilities.

Sec. 13. [SAVINGS CLAUSE.]

Notwithstanding any provision in this article, nothing in this article constitutes an impairment of any obligations, certificates of indebtedness, capital notes, or other debt instruments, including installment purchase contracts or lease purchase agreements, issued before the date of final enactment of this act, by a municipality as defined in Minnesota Statutes, section 469.174, subdivision 6; a school district; or a special taxing district as defined in Minnesota Statutes, section 275.066.

Sec. 14. [EFFECTIVE DATE; TERMINATION.]

(a) This article is effective the day following final enactment and applies to taxes payable in 2007 and subsequent years prior to the termination date provided in paragraph (b), (c), (d), or (e) for the taxing jurisdiction described in each of those paragraphs.

(b) For cities and towns, the termination date is the taxes payable year that is the calendar year when local government aids payable to cities under Minnesota Statutes, section 477A.013, are sufficient to fully fund the formula without any reduction due to the limitation in Minnesota Statutes, section 477A.03.

(c) For counties, the termination date is the taxes payable year when the total amount to be paid to all counties under Minnesota Statutes, section 477A.0124, exceeds the amount paid to all counties under Minnesota Statutes 2002, sections 273.138; 273.1398, subdivision 2, minus the amount certified under Minnesota Statutes, section 273.1398, subdivision 4a, paragraph (b), for counties in Judicial Districts One, Three, Six, and Ten, and by 25 percent of the amount certified under Minnesota Statutes, section 273.1398, subdivision 4a, paragraph (b), for counties located in Judicial Districts Two and Four; 273.166; 477A.0121; and 477A.0122, increased by the rate of increase in the annual implicit price deflator for government consumption expenditures from 2003 to the current year.

(d) For school districts, the termination date is the taxes payable year that is the year in which the state provides a real state aid inflationary increase to the basic formula allowance under Minnesota Statutes, section 126C.10, subdivision 2, over the amount paid in the prior year.

(e) For special taxing districts, the termination date is the 2009 taxes payable year."

Delete the title and insert:

"A bill for an act relating to financing and operation of government in this state; providing for allocation of additional general fund revenues; modifying income tax rates and providing an income tax credit; modifying taxation of certain trusts; modifying taxation of certain compensation paid to nonresidents; providing for taxation of foreign operating corporations; changing and providing certain sales and use tax exemptions; modifying and authorizing certain local sales taxes; modifying certain levies; changing and providing property tax exemptions and value exclusions; modifying the state general levy and providing for deposit of revenues; providing for aids to local governments; providing for an international economic development zone; conveying certain powers and providing tax incentives in the zone; clarifying the effect of certain statements of taxpayer rights by commissioner of revenue; limiting agricultural processing zone property tax exemption in certain circumstances; defining term "tax"; extending a petrofund fee exemption; extending fiscal disparity computation for city of Bloomington; conveying powers and authority to

and imposing duties and requirements on certain local governments and authorities for certain purposes; providing tax shelter and compliance initiatives; providing for a property tax freeze; providing for certain payments to certain cities and counties; requiring studies; reducing appropriations; appropriating money; amending Minnesota Statutes 2004, sections 16A.152, subdivision 2; 123B.53, subdivision 5; 126C.01, by adding a subdivision; 127A.48, by adding a subdivision; 254B.02, subdivision 3; 270.0603, subdivision 3; 270.0682, subdivision 1; 272.02, subdivisions 53, 64, by adding subdivisions; 272.0211, subdivisions 1, 2; 273.11, subdivision 1a; 275.025, subdivision 1; 275.065, subdivision 3; 289A.38, by adding a subdivision; 289A.60, by adding a subdivision; 290.01, subdivisions 6b, 7b, 19a, as amended, if enacted, 19d; 290.06, subdivisions 2c, 2d, by adding subdivisions; 290.17, subdivisions 2, 4; 297A.61, by adding a subdivision; 297A.67, subdivisions 6, 7, 8, 29; 297A.68, subdivision 28, by adding a subdivision; 297A.71, subdivision 12, by adding a subdivision; 429.021, subdivision 1; 469.015, subdivision 4; 469.033, subdivision 6; 469.175, subdivision 2; 473F.08, subdivision 3a; 477A.011, subdivisions 34, 36, as amended; 477A.0124, subdivision 4; 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b; 645.44, by adding a subdivision; Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended; Laws 1994, chapter 587, article 9, section 8, subdivision 1; Laws 2001, First Special Session chapter 5, article 12, section 44, the effective date; Laws 2003, chapter 128, article 1, section 172; 2005 S.F. No. 467, section 1, if enacted; proposing coding for new law in Minnesota Statutes, chapters 289A; 469; 477A."

And when so amended the bill do pass. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. No. 2206 was read the second time.

MOTIONS AND RESOLUTIONS

Senator Hottinger moved that S.F. No. 939 be withdrawn from the Committee on Education and re-referred to the Committee on Judiciary. The motion prevailed.

Senator Johnson, D.E. moved that H.F. No. 902 be taken from the table. The motion prevailed.

H.F. No. 902: A bill for an act relating to state government; appropriating money for environmental and natural resources purposes; establishing and modifying certain programs; reorganizing environmental agencies; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; amending Minnesota Statutes 2004, sections 15.01; 16A.125, subdivision 5; 84.027, subdivisions 12, 15, by adding a subdivision; 84.0274, by adding subdivisions; 84.0911, subdivision 2; 84.631; 84.775, subdivision 1; 84.788, subdivision 3, by adding a subdivision; 84.789, by adding a subdivision; 84.791, subdivisions 1, 2; 84.798, subdivision 1, by adding a subdivision; 84.804, subdivision 3; 84.82, subdivision 2, by adding a subdivision; 84.8205, subdivisions 1, 3, 4, 6; 84.83, subdivision 3; 84.86, subdivision 1; 84.91, subdivision 1; 84.922, subdivision 2, by adding a subdivision; 84.925, subdivision 1, by adding a subdivision; 84.9256, subdivision 1; 84.9257; 84.926; 84.928, subdivisions 1, 2; 84D.03, subdivision 4; 85.015, subdivision 5; 85.053, subdivisions 1, 2; 85.055, subdivision 2, by adding a subdivision; 85.42; 85.43; 86B.415, subdivisions 1, 2, 3, 4, 5, 6, by adding a subdivision; 88.17, subdivision 1, by adding subdivisions; 88.6435, subdivision 4; 89.039, subdivision 1; 89.19, subdivision 2; 89.36, subdivision 2; 89.37, subdivision 4; 92.03, subdivision 4; 93.22, subdivision 1; 94.342, subdivisions 1, 3, 4, 5; 94.343, subdivisions 1, 3, 7, 8, 10, by adding subdivisions; 94.344, subdivisions 1, 3, 5, 8, 10, by adding a subdivision; 97A.055, subdivision 4b; 97A.061, by adding a subdivision; 97A.071, subdivision 2; 97A.075, subdivision 3; 97A.135, subdivision 2a; 97A.4742, subdivision 4; 97A.485, subdivisions 6, 7; 97A.551, by adding a subdivision; 97B.015, subdivisions 1, 2, 5, 7; 97B.020; 97B.025; 97C.085; 97C.327; 97C.395, subdivision 1; 103F.535, subdivision 1; 103G.271, subdivision 6; 103G.301, subdivision 2; 103G.615, subdivision 2; 103I.681, subdivision 11; 115.06, subdivision 4; 115.551; 115A.03, subdivisions 21, 32a; 115A.06, subdivision 5; 115A.07, subdivision 1; 115A.072, subdivision 1; 115A.12; 115A.15, subdivision 7; 115A.38, subdivision 1; 115A.545, subdivision 1; 115A.929; 116.03, subdivision 1;

116.07, subdivision 4b; 116P.02, by adding a subdivision; 116P.03; 116P.04, subdivision 5; 116P.05, subdivision 2; 116P.07; 116P.08, subdivisions 3, 5, 6, 7, by adding subdivisions; 116P.09; 116P.10; 116P.11; 116P.12, subdivision 2; 116P.15, subdivision 2; 168.1296, subdivision 1; 169A.63, subdivision 6; 216B.2424, subdivisions 1, 2, 5a, 6, 8, by adding a subdivision; 282.08; 282.38, subdivision 1; 296A.18, subdivision 2; 297H.13, subdivision 2; 349.12, subdivision 25; 462.357, subdivision 1e; 473.846; 477A.12, by adding a subdivision; 477A.145; Laws 2003, chapter 128, article 1, section 5, subdivision 6; Laws 2003, chapter 128, article 1, section 9, subdivision 6; Laws 2003, chapter 128, article 1, section 167, subdivision 1; Laws 2004, chapter 220, section 1; proposing coding for new law in Minnesota Statutes, chapters 84; 86B; 92; 93; 97C; 116; 116P; 473; repealing Minnesota Statutes 2004, sections 84.901; 85.054, subdivision 1; 94.343, subdivision 6; 94.344, subdivision 6; 94.348; 94.349; 115A.03, subdivisions 8a, 22a; 115A.055, subdivision 1; 115A.158, subdivision 3; 115D.03, subdivision 4; 116.02, subdivision 5; 116.04; 116P.02, subdivisions 2, 4; 116P.05; 116P.06; 116P.08, subdivision 4; 473.197, subdivisions 1, 2, 3, 5; 473.801, subdivision 6.

SUSPENSION OF RULES

Senator Johnson, D.E. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 902 and that the rules of the Senate be so far suspended as to give H.F. No. 902 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 902 was read the second time.

Senator Johnson, D.E., for Senator Bakk, moved to amend H.F. No. 902 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 902, and insert the language after the enacting clause, and the title, of S.F. No. 2276, the second engrossment.

The motion prevailed. So the amendment was adopted.

H.F. No. 902 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 51 and nays 7, as follows:

Those who voted in the affirmative were:

Anderson	Hottinger	Marty	Pogemiller	Skoglund
Belanger	Johnson, D.E.	McGinn	Ranum	Sparks
Berglin	Jungbauer	Metzen	Rest	Stumpf
Chaudhary	Kelley	Michel	Robling	Tomassoni
Dibble	Kiscaden	Moua	Rosen	Vickerman
Fischbach	Koering	Neuville	Ruud	Wergin
Foley	Kubly	Olson	Sams	Wiger
Frederickson	Langseth	Ortman	Saxhaug	
Gaither	Larson	Ourada	Scheid	
Hann	Lourey	Pappas	Senjem	
Higgins	Marko	Pariseau	Skoe	

Those who voted in the negative were:

Betzold	Kleis	Limmer	Nienow	Reiter
Kierlin	LeClair			

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

RECESS

Senator Johnson, D.E. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Senator Johnson, D.E. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 1481: Senators Kiscaden, Higgins, Metzen, Michel and Larson.

Senator Johnson, D.E. moved that the foregoing appointments be approved. The motion prevailed.

RECESS

Senator Johnson, D.E. moved that the Senate do now recess until 10:30 a.m. The motion prevailed.

The hour of 10:30 a.m. having arrived, the President called the Senate to order.

CALL OF THE SENATE

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

MOTIONS AND RESOLUTIONS - CONTINUED

SUSPENSION OF RULES

Senator Johnson, D.E. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 2206 and that the rules of the Senate be so far suspended as to give S.F. No. 2206, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

S.F. No. 2206: A bill for an act relating to financing and operation of government in this state; providing for allocation of additional general fund revenues; modifying income tax rates and providing an income tax credit; modifying taxation of certain trusts; modifying taxation of certain compensation paid to nonresidents; providing for taxation of foreign operating corporations; changing and providing certain sales and use tax exemptions; modifying and authorizing certain local sales taxes; modifying certain levies; changing and providing property tax exemptions and value exclusions; modifying the state general levy and providing for deposit of revenues; providing for aids to local governments; providing for an international economic development zone; conveying certain powers and providing tax incentives in the zone; clarifying the effect of certain statements of taxpayer rights by commissioner of revenue; limiting agricultural processing zone property tax exemption in certain circumstances; defining term "tax"; extending a petrofund fee exemption; extending fiscal disparity computation for city of Bloomington; conveying powers and authority to and imposing duties and requirements on certain local governments and authorities for certain purposes; providing tax shelter and compliance initiatives; providing for a property tax freeze; providing for certain payments to certain cities and counties; requiring studies; reducing appropriations; appropriating money; amending Minnesota Statutes 2004, sections 16A.152, subdivision 2; 123B.53, subdivision 5; 126C.01, by adding a subdivision; 127A.48, by adding a subdivision; 254B.02, subdivision 3; 270.0603, subdivision 3; 270.0682, subdivision 1; 272.02, subdivisions 53, 64, by adding subdivisions; 272.0211, subdivisions 1, 2; 273.11, subdivision 1a; 275.025, subdivision 1; 275.065, subdivision 3; 289A.38, by adding a subdivision; 289A.60, by adding a subdivision; 290.01, subdivisions 6b, 7b, 19a, as amended, if enacted, 19d;

290.06, subdivisions 2c, 2d, by adding subdivisions; 290.17, subdivisions 2, 4; 297A.61, by adding a subdivision; 297A.67, subdivisions 6, 7, 8, 29; 297A.68, subdivision 28, by adding a subdivision; 297A.71, subdivision 12, by adding a subdivision; 429.021, subdivision 1; 469.015, subdivision 4; 469.033, subdivision 6; 469.175, subdivision 2; 473F.08, subdivision 3a; 477A.011, subdivisions 34, 36, as amended; 477A.0124, subdivision 4; 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b; 645.44, by adding a subdivision; Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended; Laws 1994, chapter 587, article 9, section 8, subdivision 1; Laws 2001, First Special Session chapter 5, article 12, section 44, the effective date; Laws 2003, chapter 128, article 1, section 172; 2005 S.F. No. 467, section 1, if enacted; proposing coding for new law in Minnesota Statutes, chapters 289A; 469; 477A.

Senator Kleis moved to amend S.F. No. 2206 as follows:

Page 59, line 12, strike everything after the stricken "(c)"

Page 59, line 13, strike "for any city shall not exceed the sum of (1)" and delete "50" and strike "percent of"

Page 59, strike line 14

Page 59, line 15, strike everything before "For"

Page 61, line 13, delete "\$523,052,000" and insert "\$616,052,000"

CALL OF THE SENATE

Senator Betzold imposed a call of the Senate for the balance of the proceedings on S.F. No. 2206. The Sergeant at Arms was instructed to bring in the absent members.

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

The roll was called, and there were yeas 19 and nays 39, as follows:

Those who voted in the affirmative were:

Chaudhary	Jungbauer	Kubly	Ourada	Senjem
Fischbach	Kierlin	Larson	Pariseau	Sparks
Frederickson	Kleis	Neuville	Rosen	Wergin
Hottinger	Koering	Nienow	Ruud	

Those who voted in the negative were:

Anderson	Foley	Langseth	Ortman	Scheid
Bachmann	Gaither	LeClair	Pappas	Skoe
Bakk	Gerlach	Limmer	Pogemiller	Skoglund
Belanger	Hann	Lourey	Ranum	Stumpf
Berglin	Higgins	Marty	Reiter	Tomassoni
Betzold	Johnson, D.E.	Metzen	Rest	Vickerman
Cohen	Kelley	Michel	Robling	Wiger
Dibble	Kiscaden	Olson	Saxhaug	

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

Senator Pogemiller moved to amend S.F. No. 2206 as follows:

Page 65, after line 19, insert:

"Sec. 29. [APPROPRIATION.]

\$1,287,000 in fiscal year 2006 and \$1,933,000 in fiscal year 2007 is appropriated from the general fund to the commissioner of human services for the consolidated chemical dependency treatment fund."

Page 84, line 30, after "appropriated" insert "from the general fund"

Page 84, line 31, delete "natural resources and must be deposited in" and insert "finance for transfer to"

Page 84, line 35, delete the first "years" and insert "year" and after "and" insert "\$80,000,000 in fiscal year 2009 and"

Page 85, line 12, after the period, insert "Aid received under this section must be used for deferred maintenance, to make accessibility improvements, or to make fire, safety, or health repairs."

Page 85, line 18, delete "19" and insert "14"

Page 86, line 23, delete "corporate" and insert "noncorporate"

Page 87, lines 23 and 35, delete "this" and after "chapter" insert "290"

The motion prevailed. So the amendment was adopted.

Senator Marty moved to amend S.F. No. 2206 as follows:

Pages 92 to 99, delete article 8

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 25 and nays 37, as follows:

Those who voted in the affirmative were:

Belanger	Hottinger	Langseth	Neuville	Rest
Fischbach	Kelley	Lourey	Olson	Robling
Frederickson	Kierlin	Marty	Ortman	Senjem
Gaither	Kiscaden	McGinn	Ourada	Wergin
Hann	Kubly	Metzen	Pariseau	Wiger

Those who voted in the negative were:

Anderson	Foley	LeClair	Pogemiller	Skoglund
Bachmann	Gerlach	Limmer	Ranum	Sparks
Bakk	Higgins	Marko	Reiter	Stumpf
Berglin	Johnson, D.E.	Michel	Rosen	Tomassoni
Betzold	Jungbauer	Moua	Ruud	Vickerman
Chaudhary	Kleis	Murphy	Saxhaug	
Cohen	Koering	Nienow	Scheid	
Dibble	Larson	Pappas	Skoe	

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

S.F. No. 2206 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 35 and nays 28, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Bachmann	Belanger	Fischbach	Frederickson	Gerlach
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Hann
Johnson, D.J.
Jungbauer
Kierlin
Kleis

Koering
Larson
LeClair
Limmer
McGinn

Michel
Neuville
Nienow
Olson
Ortman

Ourada
Pariseau
Reiter
Robling
Rosen

Ruud
Senjem
Wergin

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

Senator Pogemiller moved that S.F. No. 2206 be laid on the table. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

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

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 1385:

H.F. No. 1385: A bill for an act relating to higher education; allocating money for educational and related purposes with certain conditions; modifying various loan, grant, and financial aid provisions; requiring institutions to provide certain data; permitting disclosure of certain data to determine eligibility; amending various reciprocity provisions; providing definitions; directing the Board of Trustees to designate centers of excellence; amending the Minnesota college savings plan; authorizing transfer of certain bonding authority; amending provisions related to private career schools; establishing fees; providing for merger with the Higher Education Facilities Authority; establishing the Rochester University Development Committee; appropriating money; amending Minnesota Statutes 2004, sections 13.46, subdivision 2; 135A.031, subdivisions 3, 4; 135A.052, subdivision 1; 135A.30, subdivisions 3, 4, 5; 135A.52, subdivisions 1, 2; 136A.01, subdivision 2; 136A.031, subdivisions 2, 3, 4; 136A.08, by adding subdivisions; 136A.121, subdivisions 2, 5, 6, 9, by adding a subdivision; 136A.125, subdivision 2; 136A.1701, by adding subdivisions; 136F.04, subdivision 4; 136F.32, subdivision 2; 136G.03, subdivisions 3, 21a, 22, 32; 136G.05, subdivision 8; 136G.09, subdivisions 11, 12; 136G.11, subdivisions 1, 2, 3, 13; 136G.13, subdivisions 1, 5; 136G.14; 137.0245, subdivisions 1, 2, 4; 141.21, by adding a subdivision; 141.25, subdivisions 3, 5, 8, 9, 12; 141.251; 141.26, subdivision 5; 141.271, subdivisions 4, 7, 10, by adding subdivisions; 141.28, subdivision 1, by adding a subdivision; 141.29, subdivision 3; 141.30; 141.35; 192.502, subdivision 1; 299A.45, subdivisions 1, 4; proposing coding for new law in Minnesota Statutes, chapters 136A; 137; 141; repealing Minnesota Statutes 2004, sections 136A.011; 136A.031, subdivision 1; Minnesota Rules, parts 4815.0100; 4815.0110; 4815.0120; 4815.0130; 4815.0140; 4815.0150; 4815.0160; 4830.8100; 4830.8110; 4830.8120; 4830.8130; 4830.8140; 4830.8150.

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

Nornes, Eastlund, Cox, Opatz and Atkins have been appointed as such committee on the part of the House.

House File No. 1385 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 6, 2005

Senator Pappas moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1385, and that a Conference Committee of 5 members be appointed by the

Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 1:

H.F. No. 1: A bill for an act relating to public safety; appropriating money for the courts, Public Safety, and Corrections Departments, the Peace Officer Standards and Training Board, the Private Detective Board, Human Rights Department, and the Sentencing Guidelines Commission; making a standing appropriation for bond service for the 911 system; appropriating money for methamphetamine grants, homeless outreach grants, and youth intervention grants; requiring life without release sentences for certain egregious first degree criminal sexual conduct offenses; requiring indeterminate life sentences for certain sex offenses; increasing statutory maximum sentences for sex offenses; authorizing asexualization for certain sex offenders; requiring certain predatory offenders to obtain marked vehicle license plates and drivers' licenses or identification cards; establishing the Minnesota Sex Offender Review Board and providing its responsibilities, including release decisions, access to data, expedited rulemaking, and the applicability to it of contested case proceedings and the Open Meeting Law; directing the Sentencing Guidelines Commission to modify the sentencing guidelines; providing criminal penalties; modifying predatory offender registration and community notification requirements; expanding Department of Human Services access to the predatory offender registry; modifying the human services criminal background check law; establishing an ongoing Sex Offender Policy Board to develop uniform supervision and professional standards; requesting the Supreme Court to study use of the court system as an alternative to the administrative process for discharge of persons committed as sexually dangerous persons or sexual psychopathic personalities; making miscellaneous technical and conforming amendments to the sex offender law; requiring level III sex offenders to submit to polygraphs as a condition of release; providing that computers are subject to forfeiture if used to commit designated offenses; amending fire marshal safety law; defining explosives for purposes of rules regulating storage and use of explosives; transferring the youth intervention program to the Department of Public Safety; amending the Emergency Communications Law by assessing fees and authorizing issuance of bonds for the third phase of the statewide public safety radio communication system; requiring a statewide human trafficking assessment and study; establishing a gang and drug oversight council and a financial crimes oversight council; requiring correctional facilities to provide the Bureau of Criminal Apprehension with certain fingerprint information; requiring law enforcement agencies to take biological specimens for DNA analysis for persons arrested for designated crimes in 2005 and further crimes in 2010; establishing correctional officers discipline procedures; increasing surcharges on criminal and traffic offenders; changing certain waiting periods for limited drivers' licenses; changing provisions relating to certain drivers' license restrictions; limiting public defender representation; authorizing public defender access to certain criminal justice data; requiring the revisor of statutes to publish a table containing cross-references to Minnesota Laws imposing collateral sanctions; requiring background checks for certain child care and placement situations; requiring the finder of fact to find a severe aggravating factor before imposing a sentence in excess of that provided by the Sentencing Guidelines; providing procedures where state intends to seek an aggravated durational departure; defining new crimes, amending crimes and imposing criminal penalties; prohibiting persons from operating motor vehicles containing traffic signal-override devices; requiring restraint of children under the age of seven; providing for a study on sentencing policy; requiring a report by counties to the legislature on level III sex offenders; amending Minnesota Statutes 2004, sections 2.722, subdivision 1; 13.461, by adding subdivisions; 13.6905, subdivision 17; 13.82, by adding a subdivision; 13.851, subdivision 5, by adding a subdivision; 13.87, subdivision 3; 13.871, subdivision 5; 13D.05, subdivision 2; 16C.09; 43A.047; 84.362; 116L.30; 144.335, by adding a subdivision; 144A.135; 152.02, subdivisions 4, 5; 168.12, by adding a subdivision; 169.06, by adding a subdivision; 169.71, subdivision 1; 169A.275, subdivision 1; 169A.52, subdivision 4; 169A.60, subdivisions 10, 11; 169A.63, subdivision 8; 169A.70, subdivision 3, by adding subdivisions; 171.07, subdivisions 1, 3; 171.09; 171.20, subdivision 4; 171.26; 171.30, subdivision 2a; 214.04, subdivision 1; 216D.08, subdivisions 1, 2; 237.70, subdivision 7; 241.67, subdivision 3; 242.195, subdivision 1; 243.1606, subdivision 1; 243.166; 243.167; 243.24, subdivision 2;

244.05, subdivisions 4, 5, 6, 7; 244.052, subdivisions 3, 4, by adding subdivisions; 244.09, subdivision 5; 244.10, subdivision 2, by adding subdivisions; 244.18, subdivision 2; 245C.03, subdivision 1; 245C.13, subdivision 2; 245C.15, subdivisions 1, 2, 3, 4; 245C.17, subdivisions 1, 2, 3; 245C.21, subdivisions 3, 4; 245C.22, by adding a subdivision; 245C.23, subdivision 1; 245C.24, subdivisions 2, 3, 4, by adding a subdivision; 245C.30, subdivisions 1, 2; 246.13; 253B.18, subdivisions 4a, 5, by adding a subdivision; 259.11; 259.24, subdivisions 1, 2a, 5, 6a; 260C.201, subdivision 11; 260C.212, subdivision 4; 282.04, subdivision 2; 299A.38, subdivisions 2, 2a, 3; 299A.465, by adding subdivisions; 299C.03; 299C.08; 299C.093; 299C.095, subdivision 1; 299C.10, subdivision 1, by adding a subdivision; 299C.11; 299C.14; 299C.145, subdivision 3; 299C.155; 299C.21; 299C.65, subdivisions 1, 2, 5, by adding a subdivision; 299F.011, subdivision 7; 299F.014; 299F.05; 299F.051, subdivision 4; 299F.06, subdivision 1; 299F.19, subdivisions 1, 2; 299F.362, subdivisions 3, 4; 299F.391, subdivision 1; 299F.46, subdivisions 1, 3; 325F.04; 326.3382, by adding a subdivision; 326.3384, subdivision 1; 343.31; 357.021, subdivisions 6, 7; 357.18, subdivision 3; 403.02, subdivisions 7, 13, 17, by adding a subdivision; 403.025, subdivisions 3, 7; 403.05, subdivision 3; 403.07, subdivision 3; 403.08, subdivision 10; 403.11, subdivisions 1, 3, 3a; 403.113, subdivision 1; 403.21, subdivision 8; 403.27, subdivisions 3, 4, by adding subdivisions; 403.30, subdivisions 1, 3, by adding subdivisions; 508.82, subdivision 1; 508A.82, subdivision 1; 518B.01, by adding a subdivision; 590.01, subdivision 1, by adding a subdivision; 609.02, subdivision 16; 609.108, subdivisions 1, 3, 4, 6, 7; 609.109, subdivisions 3, 4, 5, 6, 7; 609.1095, subdivisions 2, 4; 609.115, by adding a subdivision; 609.117; 609.1351; 609.185; 609.2231, subdivision 3; 609.2242, subdivision 3; 609.229, subdivision 3, by adding a subdivision; 609.321, subdivision 12; 609.341, subdivision 14, by adding subdivisions; 609.342, subdivisions 2, 3; 609.343, subdivisions 2, 3; 609.344, subdivisions 2, 3; 609.345, subdivisions 2, 3; 609.347; 609.3471; 609.348; 609.353; 609.485, subdivisions 2, 4; 609.487, by adding a subdivision; 609.50, subdivision 1; 609.505; 609.52, subdivision 2; 609.527, subdivisions 1, 3, 4, 6, by adding a subdivision; 609.531, subdivision 1; 609.5311, subdivisions 2, 3; 609.5312, subdivisions 1, 3, 4, by adding a subdivision; 609.5314, subdivision 1; 609.5317, subdivision 1; 609.5318, subdivision 1; 609.605, subdivisions 1, 4; 609.725; 609.748, subdivisions 2, 3a, by adding a subdivision; 609.749, subdivision 2; 609.763, subdivision 3; 609.79, subdivision 2; 609.795, by adding a subdivision; 609A.02, subdivision 3; 609A.03, subdivision 7; 611.14; 611.16; 611.25, subdivision 1; 611.272; 611A.01; 611A.036; 611A.19; 611A.53, subdivision 1b; 617.23, subdivisions 2, 3; 624.22, subdivision 1; 626.04; 626.556, subdivision 3; 626.557, subdivisions 12b, 14; 631.045; 631.425, subdivision 4; 641.21; Laws 2004, chapter 201, section 22; proposing coding for new law in Minnesota Statutes, chapters 171; 241; 243; 244; 260C; 299A; 299C; 590; 609; 611; 629; proposing coding for new law as Minnesota Statutes, chapter 545A; repealing Minnesota Statutes 2004, sections 69.011, subdivision 5; 243.162; 243.166, subdivisions 1, 8; 244.10, subdivisions 2a, 3; 246.017, subdivision 1; 299A.64; 299A.65; 299A.66; 299A.68; 299C.65, subdivisions 3, 4, 6, 7, 8, 8a, 9; 299F.011, subdivision 4c; 299F.015; 299F.10; 299F.11; 299F.12; 299F.13; 299F.14; 299F.15; 299F.16; 299F.17; 299F.361; 299F.451; 299F.452; 403.025, subdivision 4; 403.30, subdivision 2; 609.108, subdivisions 2, 4, 5; 609.109, subdivisions 2, 4, 6; 609.119; 611.18; 624.04; Laws 2004, chapter 283, section 14.

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

Smith; Johnson, J.; Newman; Murphy and Hilstrom have been appointed as such committee on the part of the House.

House File No. 1 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Albin A. Mathiowetz, Chief Clerk, House of Representatives
Transmitted May 6, 2005

Senator Ranum moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 1422:

H.F. No. 1422: A bill for an act relating to the operation of state government; making changes to health and human services programs; changing licensing and state-operated services provisions; changing provisions in state health care programs, changing MinnesotaCare to a forecasted program and changing eligibility requirements and payments, allowing transfer of excess health care access funds to the general fund, allowing the commissioner to withhold for delinquent nursing home provider surcharges, allowing reduction of excess assets for MA and changing other MA provisions, reducing payments to managed care plans, establishing medical necessity standards for state health care programs, allowing the state to recover payment for long-term care from trusts and life estates or joint tenancy interests, and establishing a health services policy committee and medication therapy management; establishing a value-based nursing facility reimbursement system and changing other provisions for nursing facilities; changing continuing care for the elderly and disabled provisions and establishing the Minnesota partnership for long-term care programs, increasing rate reimbursement for ICF/MR facilities, health care services, and provider rate increases, requiring a study for dental access, establishing an interagency work group on disability services; changing provisions for mental health services, allowing payment for mental health telemedicine, providing treatment foster care services and transitional youth intensive rehabilitative mental health services; modifying health policy, establishing a Health Information Technology and Infrastructure Advisory Committee, establishing a rural pharmacy planning and transition grant program, requiring a report from physicians and facilities performing abortions, classifying data in abortion notification reports, providing education on shaking infants and children, establishing a voluntary trauma system, trauma registry, and trauma advisory council, establishing a cancer drug repository program, prohibiting family grant funds to subsidize abortion services, promoting positive abortion alternatives, establishing the unborn child pain prevention act, providing education on postpartum depression, adjusting certain fees, providing civil and criminal penalties; making forecast adjustments; appropriating money; and providing for alternative funding; amending Minnesota Statutes 2004, sections 13.3806, by adding a subdivision; 16A.724; 103I.101, subdivision 6; 103I.208, subdivisions 1, 2; 103I.235, subdivision 1; 103I.601, subdivision 2; 144.122; 144.147, subdivisions 1, 2; 144.148, subdivision 1; 144.1483; 144.1501, subdivisions 1, 2, 3, 4; 144.226, subdivisions 1, 4, by adding subdivisions; 144.3831, subdivision 1; 144.551, subdivision 1; 144.562, subdivision 2; 144.9504, subdivision 2; 144.98, subdivision 3; 144A.071, subdivision 4a; 144A.073, by adding a subdivision; 144E.101, by adding a subdivision; 145.56, subdivisions 2, 5; 145.924; 145.9268; 146A.11, subdivision 1; 147A.08; 150A.22; 157.011, by adding a subdivision; 157.15, by adding a subdivision; 157.16, subdivisions 2, 3, by adding subdivisions; 157.20, subdivisions 2, 2a; 214.01, subdivision 2; 214.06, subdivision 1, by adding a subdivision; 245.4661, subdivisions 2, 6; 245.4885, subdivisions 1, 2, by adding a subdivision; 245A.10, subdivision 5; 245C.10, subdivisions 2, 3; 245C.32, subdivision 2; 246.0136, subdivision 1; 252.27, subdivision 2a; 253.20; 253B.02, subdivision 7; 256.01, subdivision 2, by adding subdivisions; 256.019, subdivision 1; 256.045, subdivisions 3, 3a; 256.046, subdivision 1; 256.9657, by adding a subdivision; 256.969, subdivisions 3a, 26; 256B.02, subdivision 12; 256B.04, by adding a subdivision; 256B.056, subdivisions 5, 5a, 5b, 7, by adding subdivisions; 256B.057, subdivision 9; 256B.0575; 256B.0595, subdivision 2; 256B.06, subdivision 4; 256B.0621, subdivisions 2, 3, 4, 5, 6, 7, by adding a subdivision; 256B.0625, subdivisions 2, 3a, 13, 13a, 13c, 13e, 13f, 17, by adding subdivisions; 256B.0644; 256B.075, subdivision 2; 256B.0913, subdivisions 2, 4; 256B.0916, by adding a subdivision; 256B.0943, subdivision 3; 256B.095; 256B.0951, subdivision 1; 256B.0952, subdivision 5; 256B.0953, subdivision 1; 256B.15, subdivision 1; 256B.19, subdivision 1; 256B.195, subdivision 3; 256B.32, subdivision 1; 256B.431, subdivisions 28, 29, 35, by adding subdivisions; 256B.432, subdivisions 1, 2, 5, by adding subdivisions; 256B.434, subdivisions 3, 4, 4a, 4b, 4c, 4d, by adding subdivisions; 256B.438, subdivision 3; 256B.47, subdivision 2; 256B.49, subdivision 16; 256B.5012, by adding a subdivision; 256B.69, subdivisions 4, 23, by adding a subdivision; 256B.75; 256B.765; 256D.03, subdivisions 3, 4, by adding subdivisions; 256D.045; 256L.01, subdivisions 1a, 4, 5; 256L.03, subdivisions 1, 3, 5, by adding a subdivision; 256L.04, subdivisions 1, 2, 8, by adding subdivisions; 256L.05, subdivisions 2, 3, 3a, 5; 256L.06, subdivision 3; 256L.07, subdivisions 1,

3, by adding a subdivision; 256L.09, subdivision 2; 256L.11, subdivision 6; 256L.12, subdivision 6, by adding a subdivision; 256L.15, subdivisions 2, 3; 326.42, subdivision 2; 471.61, by adding a subdivision; 514.981, subdivision 6; Laws 2003, First Special Session chapter 14, article 12, section 93; proposing coding for new law in Minnesota Statutes, chapters 62J; 144; 145; 245A; 256B; 501B; repealing Minnesota Statutes 2004, sections 13.383, subdivision 3; 13.411, subdivision 3; 144.1486; 144.1502; 145.925; 146A.01, subdivisions 2, 5; 146A.02; 146A.03; 146A.04; 146A.05; 146A.06; 146A.07; 146A.08; 146A.09; 146A.10; 157.215; 256.955; 256B.075, subdivision 5; 256L.035; 256L.04, subdivisions 7, 11; 256L.09, subdivisions 1, 4, 5, 6, 7; 295.581; Minnesota Rules, parts 4700.1900; 4700.2000; 4700.2100; 4700.2200; 4700.2210; 4700.2300; 4700.2400; 4700.2410; 4700.2420; 4700.2500.

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

Bradley, Wilkin, Abeler, Finstad and Otremba have been appointed as such committee on the part of the House.

House File No. 1422 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Albin A. Mathiowetz, Chief Clerk, House of Representatives
Transmitted May 6, 2005

Senator Berglin moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1422, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

RECESS

Senator Johnson, D.E. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Senator Johnson, D.E. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 1385: Senators Pappas, Tomassoni, Solon, Kierlin and Robling.

H.F. No. 1: Senators Ranum, Foley, Skoglund, Neuville and Rosen.

H.F. No. 1422: Senators Berglin, Lourey, Kubly, Koering and Hottinger.

Senator Johnson, D.E. moved that the foregoing appointments be approved. The motion prevailed.

MEMBERS EXCUSED

Senators Day and Dille were excused from the Session of today. Senators Bachmann, Bakk and Gerlach were excused from the Session of today from 8:30 to 9:15 a.m. Senator Johnson, D.J. was excused from the Session of today from 8:30 a.m. to 12:45 p.m. Senator Solon was excused from the Session of today from 8:30 a.m. to 1:00 p.m. Senator Sams was excused from the Session of today at 11:00 a.m. Senator Gaither was excused from the Session of today at 12:30 p.m.

ADJOURNMENT

Senator Johnson, D.E. moved that the Senate do now adjourn until 11:00 a.m., Monday, May 9, 2005. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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