

FORTIETH DAY

St. Paul, Minnesota, Thursday, March 29, 2007

The Senate met at 12:00 noon and was called to order by the President.

CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Grant Stevensen.

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

Anderson	Erickson Ropes	Kubly	Olson, G.	Scheid
Bakk	Fischbach	Langseth	Olson, M.	Senjem
Berglin	Foley	Latz	Ortman	Sheran
Betzold	Frederickson	Limmer	Pappas	Skoe
Bonoff	Gerlach	Lourey	Pariseau	Skogen
Carlson	Gimse	Lynch	Pogemiller	Sparks
Chaudhary	Hann	Marty	Prettner Solon	Stumpf
Clark	Higgins	Metzen	Rest	Tomassoni
Cohen	Ingebrigtsen	Michel	Robling	Torres Ray
Day	Johnson	Moua	Rosen	Vandever
Dibble	Jungbauer	Murphy	Rummel	Vickerman
Dille	Koch	Neuville	Saltzman	Wergin
Doll	Koering	Olseen	Saxhaug	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.

March 27, 2007

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. 1168 and 1294.

Sincerely,
Tim Pawlenty, Governor

March 28, 2007

The Honorable Margaret Anderson Kelliher
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 2007 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 2007	Date Filed 2007
	1008	8	4:17 p.m. March 27	March 28
1168		9	4:20 p.m. March 27	March 28
1294		10	4:25 p.m. March 27	March 28

Sincerely,
Mark Ritchie
Secretary of State

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the adoption by the House of the following Senate Concurrent Resolution, herewith returned:

Senate Concurrent Resolution No. 7: A Senate concurrent resolution relating to adjournment for more than three days.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned March 29, 2007

REPORTS OF COMMITTEES

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

Senator Rest from the Committee on State and Local Government Operations and Oversight, to which was re-referred

S.F. No. 1058: A bill for an act relating to occupations; establishing the Plumbing Board; proposing coding for new law in Minnesota Statutes, chapter 326.

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

Page 1, after line 4, insert:

"Section 1. Minnesota Statutes 2006, section 326.37, subdivision 1, is amended to read:

Subdivision 1. **Rules.** The state ~~commissioner of health~~ Plumbing Board may, by rule, prescribe minimum standards which shall be uniform, and which standards shall thereafter be effective for all new plumbing installations, including additions, extensions, alterations, and replacements connected with any water or sewage disposal system owned or operated by or for any municipality, institution, factory, office building, hotel, apartment building, or any other place of business regardless of location or the population of the city or town in which located. Notwithstanding the provisions of Minnesota Rules, part 4715.3130, as they apply to review of plans and specifications, the commissioner may allow plumbing construction, alteration, or extension to proceed without approval of the plans or specifications by the commissioner.

Except for powers granted to the Plumbing Board, the commissioner of labor and industry shall administer the provisions of sections 326.37 to 326.45 and for such purposes may employ plumbing inspectors and other assistants."

Page 2, line 11, delete "own officers" and insert "chairperson"

Page 2, line 16 delete the fourth comma, and insert "and"

Page 2, line 17, delete ", and inspection"

Page 2, line 18, before the semicolon, insert "except for persons licensed under sections 326.02 to 326.15"

Page 2, line 20, delete "and"

Page 2, after line 20, insert:

"(6) make recommendations to the commissioner regarding educational requirements for plumbing inspectors; and"

Page 2, line 21, delete "(6)" and insert "(7)" and after "including" insert a colon

Page 2, delete lines 22 to 23 and insert:

"(i) rent, utilities, and supplies in the manner and amount specified in section 43A.18, subdivision 2; and

(ii) per diem and expenses for its members as provided in section 15.0575, subdivision 3."

Page 2, line 27, delete "their" and insert "its"

Page 2, line 30, after "fees" insert "under section 326.42"

Page 2, line 33, delete everything after the period and insert "The commissioner of finance shall make a quarterly certification of the amount necessary to pay expenses required for operation of the board under subdivision 2, paragraph (a), clause (7). The certified amount is appropriated to the board for those purposes from the fees collected under section 326.42."

Page 2, delete lines 34 and 35 and insert:

"Sec. 3. Minnesota Statutes 2006, section 326.38, is amended to read:

326.38 LOCAL REGULATIONS.

Any city having a system of waterworks or sewerage, or any town in which reside over 5,000 people exclusive of any statutory cities located therein, or the metropolitan airports commission, may, by ordinance, adopt local regulations providing for plumbing permits, bonds, approval of plans, and inspections of plumbing, which regulations are not in conflict with the plumbing standards on the same subject prescribed by the state ~~commissioner of health~~ Plumbing Board. No city or such town shall prohibit plumbers licensed by the state commissioner of health from engaging in or working at the business, except cities and statutory cities which, prior to April 21, 1933, by ordinance required the licensing of plumbers. Any city by ordinance may prescribe regulations, reasonable standards, and inspections and grant permits to any person, firm, or corporation engaged in the business of installing water softeners, who is not licensed as a master plumber or journeyman plumber by the state commissioner of ~~health~~ labor and industry, to connect water softening and water filtering equipment to private residence water distribution systems, where provision has been previously made therefor and openings left for that purpose or by use of cold water connections to a domestic water heater; where it is not necessary to rearrange, make any extension or alteration of, or addition to any pipe, fixture or plumbing connected with the water system except to connect the water softener, and provided the connections so made comply with minimum standards prescribed by the state ~~commissioner of health~~ Plumbing Board.

Sec. 4. Minnesota Statutes 2006, section 326.40, subdivision 1, is amended to read:

Subdivision 1. **License required; master and journeyman plumbers.** In any city now or hereafter having 5,000 or more population, according to the last federal census, and having a system of waterworks or sewerage, no person, firm, or corporation shall engage in or work at the business of a master plumber or journeyman plumber unless licensed to do so by the state commissioner of ~~health~~ labor and industry. A master plumber may also work as a journeyman plumber. Anyone not so licensed may do plumbing work which complies with the provisions of the minimum standard prescribed by the state ~~commissioner of health~~ Plumbing Board on premises or that part of premises owned and actually occupied by the worker as a residence, unless otherwise forbidden to do so by a local ordinance.

In any such city no person, firm, or corporation shall engage in the business of installing plumbing nor install plumbing in connection with the dealing in and selling of plumbing material and supplies unless at all times a licensed master plumber, who shall be responsible for proper installation, is in charge of the plumbing work of the person, firm, or corporation.

The ~~Department of Health~~ Plumbing Board shall prescribe rules, not inconsistent herewith, for the examination and licensing of plumbers.

Sec. 5. Minnesota Statutes 2006, section 326.401, subdivision 2, is amended to read:

Subd. 2. **Journeyman exam.** A plumber's apprentice who has completed four years of practical plumbing experience is eligible to take the journeyman plumbing examination. Up to 24 months of practical plumbing experience prior to registration as an apprentice may be applied to the four-year experience requirement. However, none of this practical plumbing experience may be applied if the person did not have any practical plumbing experience in the 12-month period immediately prior to registration. ~~The commissioner~~ Plumbing Board may adopt rules to evaluate whether the person's past practical plumbing experience is applicable in preparing for the journeyman's examination. If two years after completing the training the person has not taken the examination, the four years of experience shall be forfeited.

The commissioner may allow an extension of the two-year period for taking the exam for cases of hardship or other appropriate circumstances.

Sec. 6. Minnesota Statutes 2006, section 326.42, subdivision 1, is amended to read:

Subdivision 1. **Application.** Applications for plumber's license shall be made to the state commissioner of ~~health labor and industry~~, with fee. Unless the applicant is entitled to a renewal, the applicant shall be licensed by the state commissioner of ~~health labor and industry~~ only after passing a satisfactory examination administered by the ~~examiners~~ commissioner of labor and industry, based upon rules adopted by the Plumbing Board showing fitness. Examination fees for both journeyman and master plumbers shall be in an amount prescribed by the state commissioner of ~~health labor and industry~~ pursuant to section 144.122. Upon being notified that of having successfully passed the examination for original license the applicant shall submit an application, with the license fee herein provided. License fees shall be in an amount prescribed by the state commissioner of ~~health labor and industry~~ pursuant to section 144.122. Licenses shall expire and be renewed as prescribed by the commissioner pursuant to section 144.122.

Sec. 7. **TRANSFER OF AUTHORITY.**

The authority of the commissioners of health and labor and industry to adopt rules relating to plumbers is transferred to the Plumbing Board. Licenses and permits currently in effect remain in effect according to their terms unless affected by board action. Rules adopted by the commissioner of health or labor and industry remain in effect until amended or repealed by the board. The commissioner of administration may not use the authority under Minnesota Statutes, section 16B.37, to modify the transfers of authority in this act.

Sec. 8. **FIRST MEETING; APPOINTMENTS.**

The governor must complete the appointments required by section 2 no later than July 1, 2007. The commissioner of labor and industry shall convene the first meeting of the Plumbing Board no later than September 1, 2007.

Sec. 9. **REPEALER.**

Minnesota Statutes 2006, section 326.41, is repealed."

ReNUMBER the sections in sequence

Amend the title as follows:

Page 1, line 2, after the second semicolon, insert "transferring powers and duties of the

commissioner of labor and industry to the board; authorizing rulemaking; appropriating money;"

Amend the title numbers accordingly

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Rest from the Committee on State and Local Government Operations and Oversight, to which was re-referred

S.F. No. 1057: A bill for an act relating to occupations; establishing the Board of High Pressure Piping Systems; requiring the board to establish fees; amending Minnesota Statutes 2006, section 326.47, subdivision 6; proposing coding for new law in Minnesota Statutes, chapter 326.

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

Page 1, after line 6, insert:

"Section 1. Minnesota Statutes 2006, section 326.46, is amended to read:

326.46 SUPERVISION OF HIGH PRESSURE PIPING.

The Department of Labor and Industry shall supervise all high pressure piping used on all projects in this state, ~~and may prescribe minimum standards which shall be uniform~~ under rules adopted by the board.

The department shall employ inspectors and other assistants to carry out the provisions of sections 326.46 to 326.52.

Sec. 2. Minnesota Statutes 2006, section 326.461, is amended by adding a subdivision to read:

Subd. 1a. **Board.** "Board" means the Board of High Pressure Piping Systems.

Sec. 3. Minnesota Statutes 2006, section 326.47, subdivision 2, is amended to read:

Subd. 2. **Permissive municipal regulation.** A municipality may, by ordinance, provide for the inspection of high pressure piping system materials and construction, and provide that it shall not be constructed or installed except in accordance with minimum state standards. The authority designated by the ordinance for issuing high pressure piping permits and assuring compliance with state standards must report to the Department of Labor and Industry all violations of state high pressure piping standards.

A municipality may not adopt an ordinance with high pressure piping standards that does not conform to the uniform standards prescribed by the ~~Department of Labor and Industry~~ board. The ~~Department of Labor and Industry~~ board shall specify by rule the minimum qualifications for municipal inspectors."

Page 2, line 2, delete everything after "engineer" and insert a semicolon

Page 2, delete line 3

Page 2, line 14, delete "council" and insert "board"

Page 2, line 16, after "pressure" insert "pipng"

Page 2, line 18, delete "own officers" and insert "chair"

Page 2, line 23, delete "other"

Page 2, line 24, after "systems" insert "except for persons licensed under sections 326.02 to 326.15"

Page 2, line 27, after "including" insert a colon

Page 2, delete lines 28 and 29 and insert:

"(i) rent, utilities, and supplies in the manner and amount specified in section 43A.18, subdivision 2; and

(ii) per diem and expenses for its members as provided in section 15.0575, subdivision 3."

Page 3, line 1, after "fees" insert "under section 326.47, subdivision 6,"

Page 3, line 5, delete everything after the period

Page 3, delete line 6 and insert "The commissioner of finance shall make a quarterly certification of the amount necessary to pay expenses required for operation of the board under subdivision 2, paragraph (a), clause (6). The certified amount is appropriated to the board for those purposes from the fees collected under section 326.50."

Page 3, after line 6, insert:

"Sec. 6. Minnesota Statutes 2006, section 326.48, subdivision 1, is amended to read:

Subdivision 1. **License required; rules; time credit.** No person shall engage in or work at the business of a contracting pipefitter unless issued an individual contracting pipefitter license to do so by the Department of Labor and Industry under rules prescribed by the board. No license shall be required for repairs on existing installations. No person shall engage in or work at the business of journeyman pipefitter unless issued an individual journeyman pipefitter competency license to do so by the Department of Labor and Industry under rules prescribed by the board. A person possessing an individual contracting pipefitter competency license may also work as a journeyman pipefitter.

No person, partnership, firm, or corporation shall install high pressure piping, nor install high pressure piping in connection with the dealing in and selling of high pressure pipe material and supplies, unless, at all times, a person possessing a contracting pipefitter individual competency license or a journeyman pipefitter individual competency license is responsible for the high pressure pipefitting work conducted by the person, partnership, firm, or corporation being in conformity with Minnesota Statutes and Minnesota Rules.

The ~~Department of Labor and Industry~~ board shall prescribe rules, not inconsistent herewith, for the examination and individual competency licensing of contracting pipefitters and journeyman pipefitters and for issuance of permits by the department and municipalities for the installation of high pressure piping.

An employee performing the duties of inspector for the Department of Labor and Industry in regulating pipefitting shall not receive time credit for the inspection duties when making an

application for a license required by this section.

Sec. 7. Minnesota Statutes 2006, section 326.48, subdivision 2, is amended to read:

Subd. 2. **High pressure pipefitting business license.** Before obtaining a permit for high pressure piping work, a person, partnership, firm, or corporation must obtain or utilize a business with a high pressure piping business license.

A person, partnership, firm, or corporation must have at all times as a full-time employee at least one individual holding an individual contracting pipefitter competency license. Only full-time employees who hold individual contracting pipefitter licenses are authorized to obtain high pressure piping permits in the name of the business. The individual contracting pipefitter competency license holder can be the employee of only one high pressure piping business at a time.

To retain its business license without reapplication, a person, partnership, firm, or corporation holding a high pressure piping business license that ceases to employ a person holding an individual contracting pipefitter competency license shall have 60 days from the last day of employment of its previous individual contracting pipefitter competency license holder to employ another license holder. The Department of Labor and Industry must be notified no later than five days after the last day of employment of the previous license holder.

No high pressure pipefitting work may be performed during any period when the high pressure pipefitting business does not have an individual contracting pipefitter competency license holder on staff. If a license holder is not employed within 60 days, the pipefitting business license shall lapse.

The ~~Department of Labor and Industry~~ board shall prescribe by rule procedures for application for and issuance of business licenses and fees.

Sec. 8. Minnesota Statutes 2006, section 326.50, is amended to read:

326.50 APPLICATION; FEES.

Application for an individual contracting pipefitter competency or an individual journeyman pipefitter competency license shall be made to the Department of Labor and Industry, with fees. The applicant shall be licensed only after passing an examination administered by the Department of Labor and Industry in accordance with rules adopted by the board.

Sec. 9. Minnesota Statutes 2006, section 326.51, is amended to read:

326.51 DEPARTMENT MAY REVOKE LICENSES.

The ~~department~~ board may revoke or suspend, for cause, any license obtained through error or fraud, or if the licensee is shown to be incompetent, or for a violation of any of its rules and regulations applicable to high pressure pipefitting work. The licensee shall have notice, in writing, enumerating the charges, and be entitled to a hearing on at least ten days' notice, with the right to produce testimony. The hearing shall be held pursuant to chapter 14. The ~~commissioner~~ board shall issue a final order based on testimony and the record at hearing. One year from the date of revocation application may be made for a new license.

Sec. 10. Minnesota Statutes 2006, section 326.52, is amended to read:

326.52 DEPOSIT OF FEES.

All fees received under sections 326.46 to 326.52 shall be deposited by the Department of Labor and Industry to the credit of the general fund in the state treasury. The salaries and per diem of the inspectors and examiners hereinbefore provided, their expenses, and all incidental expenses of the department and board in carrying out the provisions of sections 326.46 to 326.52 shall be paid from the appropriations made to the Department of Labor and Industry. ~~The commissioner~~ board by rule shall set the amount of the fees at a level that approximates, to the greatest extent possible, the salaries, per diem, and incidental expenses of the department.

Sec. 11. TRANSFER OF AUTHORITY.

The authority of the commissioner of labor and industry to adopt rules relating to high pressure piping systems is transferred to the Board of High Pressure Piping Systems. Licenses and permits currently in effect remain in effect according to their terms unless affected by board action. Rules adopted by the commissioner of labor and industry remain in effect until amended or repealed by the board. The commissioner of administration may not use the authority under Minnesota Statutes, section 16B.37, to modify transfers of authority in this act.

Sec. 12. FIRST MEETING; APPOINTMENTS.

The governor must complete the appointments required by section 5 no later than July 1, 2007. The commissioner of labor and industry shall convene the first meeting of the Board of High Pressure Piping Systems no later than September 1, 2007."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the second semicolon, insert "transferring powers and duties of the commissioner of labor and industry to the board;"

Page 1, line 3, after the semicolon, insert "authorizing rulemaking; appropriating money;"

Amend the title numbers accordingly

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Rest from the Committee on State and Local Government Operations and Oversight, to which was referred

S.F. No. 1278: A bill for an act relating to state government; defining best value; changing provisions for acquisition and competitive bidding; amending Minnesota Statutes 2006, sections 16C.02, by adding subdivisions; 16C.03, subdivisions 3, 4, 16, by adding a subdivision; 16C.26, subdivisions 1, 3, 4, 5; 16C.27, subdivision 1; 16C.28, subdivisions 1, 3, 4; 103D.811, subdivision 3; 103E.505, subdivision 5; 116A.13, subdivision 5; 123B.52, subdivision 1, by adding a subdivision; 160.17, by adding a subdivision; 160.262, by adding a subdivision; 161.32, by adding a subdivision; 161.3412, subdivision 1; 161.38, subdivision 4; 365.37, by adding a subdivision; 374.13; 375.21, by adding a subdivision; 383C.094, by adding a subdivision; 412.311; 429.041, subdivision 2, by adding a subdivision; 458D.21, by adding a subdivision; 469.015, by adding a subdivision; 469.068, subdivision 1, by adding a subdivision; 471.345, subdivision 5, by adding subdivisions; 473.523, by adding a subdivision; 473.756, subdivision 12.

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

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2006, section 16C.02, is amended by adding a subdivision to read:

Subd. 4a. **Best value; construction.** For purposes of construction, building, alteration, improvement, or repair services, "best value" describes the result determined by a procurement method that considers price and performance criteria, which may include, but are not limited to:

- (1) the quality of the vendor's or contractor's performance on previous projects;
- (2) the timeliness of the vendor's or contractor's performance on previous projects;
- (3) the level of customer satisfaction with the vendor's or contractor's performance on previous projects;
- (4) the vendor's or contractor's record of performing previous projects on budget and ability to minimize cost overruns;
- (5) the vendor's or contractor's ability to minimize change orders;
- (6) the vendor's or contractor's ability to prepare appropriate project plans;
- (7) the vendor's or contractor's technical capacities;
- (8) the individual qualifications of the contractor's key personnel; or
- (9) the vendor's or contractor's ability to assess and minimize risks.

"Performance on previous projects" does not include the exercise or assertion of a person's legal rights. This definition does not apply to sections 16C.32, 16C.33, 16C.34, and 16C.35.

Sec. 2. Minnesota Statutes 2006, section 16C.02, is amended by adding a subdivision to read:

Subd. 20. **Vendor.** "Vendor" means a business, including a construction contractor or a natural person, and includes both if the natural person is engaged in a business.

Sec. 3. Minnesota Statutes 2006, section 16C.03, subdivision 3, is amended to read:

Subd. 3. Acquisition authority. The commissioner shall acquire all goods, services, and utilities needed by agencies. The commissioner shall acquire goods, services, and utilities by requests for bids, requests for proposals, reverse auctions as provided in section 16C.10, subdivision 7, or other methods provided by law, unless a section of law requires a particular method of acquisition to be used. The commissioner shall make all decisions regarding acquisition activities. The determination of the acquisition method and all decisions involved in the acquisition process, unless otherwise provided for by law, shall be based on best value which includes an evaluation of price and may include other considerations including, but not limited to, environmental considerations, quality, and vendor performance. A best value determination must be based on the evaluation criteria detailed in the solicitation document. If criteria other than price are used, the solicitation document must state the relative importance of price and other factors. ~~Unless it is determined by the commissioner that an alternative solicitation method provided by law should be used to determine best value, a~~

~~request for bid must be used to solicit formal responses for all building and construction contracts.~~ Any or all responses may be rejected. When using the request for bid process, the bid must be awarded to the lowest responsive and responsible bidder, taking into consideration conformity with the specifications, terms of delivery, the purpose for which the contract or purchase is intended, the status and capability of the vendor, and other considerations imposed in the request for bids. The commissioner may decide which is the lowest responsible bidder for all purchases and may use the principles of life-cycle costing, where appropriate, in determining the lowest overall bid. The duties set forth in this subdivision are subject to delegation pursuant to this section.

Sec. 4. Minnesota Statutes 2006, section 16C.03, is amended by adding a subdivision to read:

Subd. 3a. **Acquisition authority; construction contracts.** For all building and construction contracts, the commissioner shall award contracts pursuant to section 16C.28, and "best value" shall be defined and applied as set forth in sections 16C.02, subdivision 4a, and 16C.28, subdivision 1, paragraph (a), clause (2). The duties set forth in this subdivision are subject to delegation pursuant to this section. The commissioner shall establish procedures for developing and awarding best value requests for proposals for construction projects. The criteria to be used to evaluate the proposals must be included in the solicitation document and must be evaluated in an open and competitive manner.

Sec. 5. Minnesota Statutes 2006, section 16C.03, is amended by adding a subdivision to read:

Subd. 19. **Training.** Users of best value procurement may be trained in the request for proposals process for best value contracting for construction projects. The commissioner may establish a training program for state and local officials and employees, and vendors and contractors, on best value procurement for construction projects, including those governed by section 16C.02, subdivision 4a. If the commissioner establishes such a training program, the state may charge a fee for providing training.

Sec. 6. Minnesota Statutes 2006, section 16C.26, is amended to read:

16C.26 COMPETITIVE BIDS OR PROPOSALS.

Subdivision 1. **Application.** Except as otherwise provided by sections 16C.10, 16C.26 and 16C.27, all contracts for building and construction or repairs must be based on competitive bids or proposals. "Competitive proposals" specifically refers to the method of procurement described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Subd. 2. **Requirement contracts.** Standard requirement price contracts for building and construction must be established by competitive bids as provided in subdivision 1. The standard requirement price contracts may contain escalation clauses and may provide for a negotiated price increase or decrease based upon a demonstrable industrywide or regional increase or decrease in the vendor's costs or for the addition of similar products or replacement items not significant to the total value of existing contracts. The term of these contracts may not exceed five years including all extensions.

Subd. 3. **Publication of notice; expenditures over \$25,000.** If the amount of an expenditure is estimated to exceed \$25,000, bids or proposals must be solicited by public notice in a manner designated by the commissioner. To the extent practical, this must include posting on a state Web site. For expenditures over \$50,000, when a call for bids is issued, the commissioner shall solicit

sealed bids by providing notices to all prospective bidders known to the commissioner by posting notice on a state Web site at least seven days before the final date of submitting bids. All bids over \$50,000 must be sealed when they are received and must be opened in public at the hour stated in the notice. All proposals responsive to a request for proposals according to section 16C.28, subdivision 1, paragraph (a), clause (2), shall be submitted and evaluated in the manner described in the request for proposals, regardless of the dollar amount. All original bids and proposals and all documents pertaining to the award of a contract must be retained and made a part of a permanent file or record and remain open to public inspection.

Subd. 4. **Building and construction contracts; \$50,000 or less.** An informal bid may be used for building, construction, and repair contracts that are estimated at less than \$50,000. Informal bids must be authenticated by the bidder in a manner specified by the commissioner. Alternatively, a request for proposals may be issued according to section 16C.28, subdivision 1, paragraph (a), clause (2), for such contracts.

Subd. 5. **Standard specifications, security.** Contracts must be based on the standard specifications prescribed and enforced by the commissioner under this chapter, unless otherwise expressly provided or as authorized under section 16C.28, subdivision 1, paragraph (a), clause (2). Each ~~bidder for a contract~~ vendor or contractor must furnish security approved by the commissioner to ensure the making of the contract being bid for.

Subd. 6. **Noncompetitive bids.** Agencies are encouraged to contract with small targeted group businesses designated under section 16C.16 when entering into contracts that are not subject to competitive bidding procedures.

Sec. 7. Minnesota Statutes 2006, section 16C.27, subdivision 1, is amended to read:

Subdivision 1. **Single source of supply.** Competitive bidding ~~is or proposals are~~ not required for contracts clearly and legitimately limited to a single source of supply, and the contract price may be best established by direct negotiation.

Sec. 8. Minnesota Statutes 2006, section 16C.28, is amended to read:

16C.28 CONTRACTS; AWARD.

Subdivision 1. ~~Lowest responsible bidder~~ **Award requirements.** (a) All state building and construction contracts entered into by or under the supervision of the commissioner or an agency for which competitive bids or proposals are required ~~must be awarded to the lowest responsible bidder, taking into consideration conformity with the specifications, terms of delivery, the purpose for which the contract is intended, the status and capability of the vendor, and other considerations imposed in the call for bids. The commissioner may decide which is the lowest responsible bidder for all contracts and may use the principles of life cycle costing, where appropriate, in determining the lowest overall bid. The head of the interested agency shall make the decision, subject to the approval of the commissioner. Any or all bids may be rejected. In a case where competitive bids are required and where all bids are rejected, new bids, if solicited, must be called for as in the first instance, unless otherwise provided by law.~~ may be awarded to either of the following:

(1) the lowest responsible bidder, taking into consideration conformity with the specifications, terms of delivery, the purpose for which the contract is intended, the status and capability of the vendor or contractor, other considerations imposed in the call for bids, and, where appropriate,

principles of life-cycle costing; or

(2) the vendor or contractor offering the best value, taking into account the specifications of the request for proposals, the price and performance criteria as set forth in section 16C.02, subdivision 4a, and described in the solicitation document.

(b) The vendor or contractor must secure bonding, commercial general insurance coverage, and workers' compensation insurance coverage under paragraph (a), clause (1) or (2). The commissioner shall determine whether to use the procurement process described in paragraph (a), clause (1), or the procurement process described in paragraph (a), clause (2). If the commissioner uses the method in paragraph (a), clause (2), the head of the agency shall determine which vendor or contractor offers the best value, subject to the approval of the commissioner. Any or all bids or proposals may be rejected.

Subd. 1a. **Establishment and purpose.** (a) The state recognizes the importance of the inclusion of a best value contracting system for construction as an alternative to the current low-bid system of procurement. In order to accomplish that goal, state and local governmental entities shall be able to choose the best value system in different phases.

(b) "Best value" means the procurement method defined in section 16C.02, subdivision 4a.

(c) The following entities are eligible to participate in phase I:

(1) state agencies;

(2) counties;

(3) cities; and

(4) school districts with the highest 25 percent enrollment of students in the state.

Phase I begins on the effective date of this section.

(d) The following entities are eligible to participate in phase II:

(1) those entities included in phase I; and

(2) school districts with the highest 50 percent enrollment of students in the state.

Phase II begins two years from the effective date of this section.

(e) The following entities are eligible to participate in phase III:

(1) all entities included in phases I and II; and

(2) all other townships, school districts, and political subdivisions in the state.

Phase III begins three years from the effective date of this section.

(f) The commissioner or any agency for which competitive bids or proposals are required may not use best value contracting as defined in section 16C.02, subdivision 4a, for more than one project annually, or 20 percent of its projects, whichever is greater, in each of the first three fiscal years in which best value construction contracting is used.

Subd. 2. **Alterations and erasures.** A bid containing an alteration or erasure of any price contained in the bid which is used in determining the lowest responsible bid must be rejected unless the alteration or erasure is corrected in a manner that is clear and authenticated by an authorized representative of the responder. An alteration or erasure may be crossed out and the correction printed in ink or typewritten adjacent to it and initialed by an authorized representative of the responder.

Subd. 3. **Special circumstances.** The commissioner may reject the bid or proposal of any bidder vendor or contractor who has failed to perform a previous contract with the state. In the case of identical low bids from two or more bidders, the commissioner may use negotiated procurement methods with the tied low bidders for that particular transaction so long as the price paid does not exceed the low tied bid price. The commissioner may award contracts to more than one bidder vendor or contractor in accordance with subdivision 1, if doing so does not decrease the service level or diminish the effect of competition.

Subd. 4. **Record.** A record must be kept of all bids or proposals, including names of bidders, amounts of bids or proposals, and each successful bid or proposal. This record is open to public inspection, subject to section 13.591 and other applicable law.

Subd. 5. **Preferences not cumulative.** The preferences under sections 16B.121, 16C.06, subdivision 7, and 16C.16 apply, but are not cumulative. The total percentage of preference granted on a contract may not exceed the highest percentage of preference allowed for that contract under any one of those sections.

Sec. 9. Minnesota Statutes 2006, section 103D.811, subdivision 3, is amended to read:

Subd. 3. **Awarding of contract.** (a) At a time and place specified in the bid notice, the managers may accept or reject any or all bids and may award the contract to the lowest responsible bidder. The bidder to whom the contract is to be awarded must give a bond, with ample security, conditioned by satisfactory completion of the contract.

(b) Bids must not be considered which in the aggregate exceed by more than 30 percent the total estimated cost of construction or implementation.

(c) As an alternative to the procurement method described in paragraph (a), the managers may issue a request for proposals and award the contract to the vendor or contractor offering the best value as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

(d) The contract must be in writing and be accompanied by or refer to the plans and specifications for the work to be done as prepared by the engineer for the watershed district. The plans and specifications shall become a part of the contract.

~~(e)~~ (e) The contract shall be approved by the managers and signed by the president, secretary, and contractor.

Sec. 10. Minnesota Statutes 2006, section 103E.505, subdivision 5, is amended to read:

Subd. 5. **How contract may be awarded.** The contract may be awarded in one job, in sections, or separately for labor and material and ~~must~~ may be let to the lowest responsible bidder. Alternatively, the contract may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 11. Minnesota Statutes 2006, section 116A.13, subdivision 5, is amended to read:

Subd. 5. **How job may be let.** The job may be let in one job, or in sections, or separately for labor and material, and ~~shall~~ may be let to the lowest responsible bidder or bidders therefor. Alternatively, the contract may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 12. Minnesota Statutes 2006, section 123B.52, subdivision 1, is amended to read:

Subdivision 1. **Contracts.** A contract for work or labor, or for the purchase of furniture, fixtures, or other property, except books registered under the copyright laws, or for the construction or repair of school houses, the estimated cost or value of which shall exceed that specified in section 471.345, subdivision 3, must not be made by the school board without first advertising for bids or proposals by two weeks' published notice in the official newspaper. This notice must state the time and place of receiving bids and contain a brief description of the subject matter.

Additional publication in the official newspaper or elsewhere may be made as the board shall deem necessary.

After taking into consideration conformity with the specifications, terms of delivery, and other conditions imposed in the call for bids, every such contract for which a call for bids has been issued must be awarded to the lowest responsible bidder, be duly executed in writing, and be otherwise conditioned as required by law. The person to whom the contract is awarded shall give a sufficient bond to the board for its faithful performance. Notwithstanding section 574.26 or any other law to the contrary, on a contract limited to the purchase of a finished tangible product, a board may require, at its discretion, a performance bond of a contractor in the amount the board considers necessary. A record must be kept of all bids, with names of bidders and amount of bids, and with the successful bid indicated thereon. A bid containing an alteration or erasure of any price contained in the bid which is used in determining the lowest responsible bid must be rejected unless the alteration or erasure is corrected as provided in this section. An alteration or erasure may be crossed out and the correction thereof printed in ink or typewritten adjacent thereto and initialed in ink by the person signing the bid. In the case of identical low bids from two or more bidders, the board may, at its discretion, utilize negotiated procurement methods with the tied low bidders for that particular transaction, so long as the price paid does not exceed the low tied bid price. In the case where only a single bid is received, the board may, at its discretion, negotiate a mutually agreeable contract with the bidder so long as the price paid does not exceed the original bid. If no satisfactory bid is received, the board may readvertise. Standard requirement price contracts established for supplies or services to be purchased by the district must be established by competitive bids. Such standard requirement price contracts may contain escalation clauses and may provide for a negotiated price increase or decrease based upon a demonstrable industrywide or regional increase or decrease in the vendor's costs. Either party to the contract may request that the other party demonstrate such increase or decrease. The term of such contracts must not exceed two years with an option on the part of the district to renew for an additional two years. Contracts for the purchase of perishable food items, except milk for school lunches and vocational training programs, in any amount may be made by direct negotiation by obtaining two or more written quotations for the purchase or sale, when possible, without advertising for bids or otherwise complying with the requirements of this section or section 471.345, subdivision 3. All quotations obtained shall be kept on file for a period of at least one year after receipt.

Every contract made without compliance with the provisions of this section shall be void. Except in the case of the destruction of buildings or injury thereto, where the public interest would suffer by delay, contracts for repairs may be made without advertising for bids.

Sec. 13. Minnesota Statutes 2006, section 123B.52, is amended by adding a subdivision to read:

Subd. 1b. **Best value alternative.** As an alternative to the procurement method described in subdivision 1, a contract for construction, building, alteration, improvement, or repair work may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 14. Minnesota Statutes 2006, section 160.17, is amended by adding a subdivision to read:

Subd. 2a. **Best value alternative.** As an alternative to the procurement method referenced in subdivision 2, counties or towns may issue a request for proposal and award the contract to the vendor or contractor offering the best value as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 15. Minnesota Statutes 2006, section 160.262, is amended by adding a subdivision to read:

Subd. 5. **Best value alternative.** As an alternative to the procurement method described in subdivision 4, the commissioner may allow for the award of design-build contracts for the projects described in subdivision 4 to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 16. Minnesota Statutes 2006, section 161.32, is amended by adding a subdivision to read:

Subd. 1f. **Best value alternative.** As an alternative to the procurement method described in subdivisions 1a to 1e, the commissioner may issue a request for proposals and award the contract to the vendor or contractor offering the best value as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 17. [161.3206] **BEST VALUE CONTRACTING AUTHORITY.**

Notwithstanding sections 16C.25, 161.32, 161.321, or any other law to the contrary, the commissioner may solicit and award all contracts, other than design-build contracts governed by section 161.3412, for a project on the basis of a best value selection process as defined in section 16C.02, subdivision 4a. Section 16C.08 does not apply to this section.

Sec. 18. Minnesota Statutes 2006, section 161.3412, subdivision 1, is amended to read:

Subdivision 1. **Best value selection for design-build contracts.** Notwithstanding sections 16C.25, 161.32, and 161.321, or any other law to the contrary, the commissioner may solicit and award a design-build contract for a project on the basis of a best value selection process. Section 16C.08 does not apply to design-build contracts to which the commissioner is a party.

Sec. 19. Minnesota Statutes 2006, section 161.38, subdivision 4, is amended to read:

Subd. 4. **Effects on other law of public contract with commissioner.** Whenever the road authority of any city enters into an agreement with the commissioner pursuant to this section, and a portion of the cost is to be assessed against benefited property, the letting of a public contract by the commissioner for the work shall be deemed to comply with statutory or charter provisions

requiring the city (1) to advertise for bids before awarding a contract for a public improvement, (2) to let the contract to the lowest responsible bidder or to the vendor or contractor offering the best value, and (3) to require a performance bond to be filed by the contractor before undertaking the work. The contract so let by the commissioner and the performance bond required of the contractor by the commissioner shall be considered to be the contract and bond of the city for the purposes of complying with the requirements of any applicable law or charter provision, and the bond shall inure to the benefit of the city and operate for their protection to the same extent as though they were parties thereto.

Sec. 20. Minnesota Statutes 2006, section 365.37, is amended by adding a subdivision to read:

Subd. 2a. **Best value alternative.** As an alternative to the procurement method described in subdivision 2, a contract for construction, building, alteration, improvement, or repair work may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 21. Minnesota Statutes 2006, section 374.13, is amended to read:

374.13 TO ADVERTISE FOR BIDS.

Subdivision 1. **Bidding process.** When the plans and specifications are completed and approved by the city council and the county board, the commission shall, after notice appropriate to inform possible bidders, obtain bids or proposals for all or any portion of the work or materials, or both, to be done, performed, or furnished in the construction of the building. All bids or proposals shall be sealed by the bidders or proposers and filed with the commission at or before the time specified for the opening of bids or proposals. At the time and place specified for the opening of bids or proposals, the commission shall meet, open the bids or proposals, tabulate them, and award the contract or contracts to the responsible bidder whose bid or proposal is the most favorable to the city or county, or reject all bids and proposals. If all bids or proposals are rejected, the commission may, after similar notice, obtain more bids or proposals or may modify or change the plans and specifications and submit the modified plans and specifications to the city council and the county board for approval. When the modified or changed plans and specifications are satisfactory to both the city council and the county board, the plans and specifications shall be returned to the commission and the commission shall proceed again, after similar notice, to obtain bids or proposals. Any contract awarded by the commission shall be subject to approval by the city council and the county board.

Subd. 2. **Best value alternative.** As an alternative to the procurement method described in subdivision 1, the commission may issue a request for proposals and award the contract to the vendor or contractor offering the best value as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 22. Minnesota Statutes 2006, section 375.21, is amended by adding a subdivision to read:

Subd. 1b. **Best value alternative.** As an alternative to the procurement method described in subdivision 1, a county board may award a contract for construction, building, alteration, improvement, or repair work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 23. Minnesota Statutes 2006, section 383C.094, is amended by adding a subdivision to read:

Subd. 1a. **Contracts in excess of \$500; best value alternative.** As an alternative to the

procurement method described in subdivision 1, the contract may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 24. Minnesota Statutes 2006, section 412.311, is amended to read:

412.311 CONTRACTS.

Subdivision 1. **Lowest responsible bidder.** Except as provided in sections 471.87 to 471.89, no member of a council shall be directly or indirectly interested in any contract made by the council. Whenever the amount of a contract for the purchase of merchandise, materials or equipment or for any kind of construction work undertaken by the city is estimated to exceed the amount specified by section 471.345, subdivision 3, the contract shall be let to the lowest responsible bidder, after notice has been published once in the official newspaper at least ten days in advance of the last day for the submission of bids. If the amount of the contract exceeds \$1,000, it shall be entered into only after compliance with section 471.345.

Subd. 2. **Best value alternative.** As an alternative to the procurement method described in subdivision 1, a contract for construction, building, alteration, improvement, or repair work may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 25. Minnesota Statutes 2006, section 429.041, is amended by adding a subdivision to read:

Subd. 2a. **Best value alternative.** As an alternative to the procurement method described in subdivision 2, the council may issue a request for proposals and award the contract to the vendor or contractor offering the best value as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 26. Minnesota Statutes 2006, section 458D.21, is amended by adding a subdivision to read:

Subd. 2a. **Contracts in excess of \$5,000; best value alternative.** As an alternative to the procurement method described in subdivision 2, the board may issue a request for proposals and award the contract to the vendor or contractor offering the best value as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 27. Minnesota Statutes 2006, section 469.015, is amended by adding a subdivision to read:

Subd. 1a. **Best value alternative.** As an alternative to the procurement method described in subdivision 1, the authority may issue a request for proposals and award the contract to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 28. Minnesota Statutes 2006, section 469.068, subdivision 1, is amended to read:

Subdivision 1. **Contracts; bids; bonds.** All construction work and every purchase of equipment, supplies, or materials necessary in carrying out the purposes of sections 469.048 to 469.068, that involve the expenditure of \$1,000 or more, shall be awarded by contract as provided in this subdivision or in subdivision 1a. Before receiving bids under sections 469.048 to 469.068, the authority shall publish, once a week for two consecutive weeks in the official newspaper of the port's city, a notice that bids will be received for the construction work, or purchase of

equipment, supplies, or materials. The notice shall state the nature of the work, and the terms and conditions upon which the contract is to be let and name a time and place where the bids will be received, opened, and read publicly, which time shall be not less than seven days after the date of the last publication. After the bids have been received, opened, read publicly, and recorded, the commissioners shall award the contract to the lowest responsible bidder, reserving the right to reject any or all bids. The contract shall be executed in writing and the person to whom the contract is awarded shall give sufficient bond to the board for its faithful performance. If no satisfactory bid is received, the port authority may readvertise, or, by an affirmative vote of two of its commissioners in the case of a three-member commission, or five of its members in the case of a seven-member commission, may authorize the authority to perform any part or parts of any construction work by day labor under conditions it prescribes. The commissioners may establish reasonable qualifications to determine the fitness and responsibility of bidders, and require bidders to meet the qualifications before bids are accepted. If the commissioners by a two-thirds or five-sevenths vote declare that an emergency exists requiring the immediate purchase of any equipment or material or supplies at a cost in excess of \$1,000, but not exceeding \$5,000, in amount, or making of emergency repairs, it shall not be necessary to advertise for bids, but the material, equipment, or supplies may be purchased in the open market at the lowest price obtainable, or the emergency repairs may be contracted for or performed without securing formal competitive bids. An emergency, for purposes of this section, is unforeseen circumstances or conditions which result in the jeopardizing of human life or property.

In all contracts involving the employment of labor, the commissioners shall stipulate conditions they deem reasonable, as to the hours of labor and wages and may stipulate as to the residence of employees to be employed by the contractors.

Bonds shall be required from contractors for any works of construction as provided in and subject to all the provisions of sections 574.26 to 574.31.

Sec. 29. Minnesota Statutes 2006, section 469.068, is amended by adding a subdivision to read:

Subd. 1a. **Contracts; best value alternative.** As an alternative to the procurement method described in subdivision 1, a contract may be awarded to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 30. Minnesota Statutes 2006, section 471.345, is amended by adding a subdivision to read:

Subd. 3a. **Contracts over \$50,000; best value alternative.** As an alternative to the procurement method described in subdivision 3, municipalities may award a contract for construction, alteration, repair, or maintenance work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 31. Minnesota Statutes 2006, section 471.345, is amended by adding a subdivision to read:

Subd. 4a. **Contracts from \$10,000 to \$50,000; best value alternative.** As an alternative to the procurement method described in subdivision 4, municipalities may award a contract for construction, alteration, repair, or maintenance work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 32. Minnesota Statutes 2006, section 471.345, subdivision 5, is amended to read:

Subd. 5. **Contracts less than \$10,000.** If the amount of the contract is estimated to be \$10,000 or less, the contract may be made either upon quotation or in the open market, in the discretion of the governing body. If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations which shall be kept on file for a period of at least one year after their receipt. Alternatively, municipalities may award a contract for construction, alteration, repair, or maintenance work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 33. Minnesota Statutes 2006, section 473.523, is amended by adding a subdivision to read:

Subd. 1a. **Contracts over \$50,000; best value alternative.** As an alternative to the procurement method described in subdivision 1, the council may issue a request for proposals and award the contract to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2).

Sec. 34. Minnesota Statutes 2006, section 473.756, subdivision 12, is amended to read:

Subd. 12. **Contracts.** The authority may enter into a development agreement with the team, the county, or any other entity relating to the construction, financing, and use of the ballpark and related facilities and public infrastructure. The authority may contract for materials, supplies, and equipment in accordance with sections 471.345 and 473.754, except that the authority, with the consent of the county, may employ or contract with persons, firms, or corporations to perform one or more or all of the functions of architect, engineer, or construction manager with respect to all or any part of the ballpark and public infrastructure. Alternatively, at the request of the team and with the consent of the county, the authority shall authorize the team to provide for the design and construction of the ballpark and related public infrastructure, subject to terms of Laws 2006, chapter 257. The construction manager may enter into contracts with contractors for labor, materials, supplies, and equipment for the construction of the ballpark and related public infrastructure through the process of public bidding, except that the construction manager may, with the consent of the authority or the team:

(1) narrow the listing of eligible bidders to those which the construction manager determines to possess sufficient expertise to perform the intended functions;

(2) award contracts to the contractors that the construction manager determines provide the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2), which are not required to be the lowest responsible bidder; and

(3) for work the construction manager determines to be critical to the completion schedule, award contracts on the basis of competitive proposals or perform work with its own forces without soliciting competitive bids if the construction manager provides evidence of competitive pricing.

The authority shall require that the construction manager certify, before the contract is signed, a fixed and stipulated construction price and completion date to the authority and post a performance bond in an amount at least equal to 100 percent of the certified price, to cover any costs which may be incurred in excess of the certified price, including but not limited to costs incurred by the authority or loss of revenues resulting from incomplete construction on the completion date. The authority may secure surety bonds as provided in section 574.26, securing payment of just claims in connection

with all public work undertaken by it. Persons entitled to the protection of the bonds may enforce them as provided in sections 574.28 to 574.32, and shall not be entitled to a lien on any property of the authority under the provisions of sections 514.01 to 514.16. Contracts for construction and operation of the ballpark must include programs, including Youthbuild, to provide for participation by small local businesses and businesses owned by people of color, and the inclusion of women and people of color in the workforces of contractors and ballpark operators. The construction of the ballpark is a "project" as that term is defined in section 177.42, subdivision 2, and is subject to the prevailing wage law under sections 177.41 to 177.43."

And when so amended the bill do pass and be re-referred to the Committee on Business, Industry and Jobs. Amendments adopted. Report adopted.

Senator Scheid from the Committee on Commerce and Consumer Protection, to which was referred

S.F. No. 935: A resolution requesting Congress to limit fees and expiration dates associated with gift cards issued by federal banks.

Reports the same back with the recommendation that the resolution do pass and be re-referred to the Committee on Rules and Administration. Report adopted.

Senator Scheid from the Committee on Commerce and Consumer Protection, to which was referred

S.F. No. 69: A bill for an act relating to commerce; prohibiting expiration dates and service fees on gift certificates and gift cards; proposing coding for new law in Minnesota Statutes, chapter 325G.

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

Page 1, delete line 7 and insert:

"Subdivision 1. **Definitions.** The definitions in this subdivision apply to this section.

(a) "Gift certificate" means a"

Page 1, after line 12, insert:

"(b) "Affiliate" of another entity means any entity directly controlling, controlled by, or under common control with the other entity."

Page 1, line 22, delete "or"

Page 2, line 2, delete the period and insert a semicolon

Page 2, after line 2, insert:

"(4) issued by an employer to an employee in recognition of services performed by the employee;

(5) issued by a federally chartered or state-chartered bank, bank and trust, savings bank, savings association, or credit union, or by an operating subsidiary or other affiliate of any of them, and that can be used at multiple sellers of goods and services, provided that the issuer discloses any

expiration date and fee associated with the gift certificate; or

(6) that are prepaid calling cards used to make wireline or wireless calls."

Page 2, delete subdivisions 4 and 5

Page 2, line 7, delete "Subd. 6." and insert "Subd. 4."

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

Senator Scheid from the Committee on Commerce and Consumer Protection, to which was referred

S.F. No. 1542: A bill for an act relating to commerce; regulating conduct of an insurer in collision cases; amending Minnesota Statutes 2006, section 72B.092, subdivision 1.

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

Page 1, line 18, delete "amount or"

Page 1, line 19, after the semicolon, insert "or"

Page 1, delete lines 20 and 21

Page 1, line 22, delete "(g)" and insert "(f)"

Page 1, line 23, after "vehicle" insert ". This clause does not require the insurer to pay more than a reasonable market price for parts of like kind and quality in adjusting a claim"

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

Senator Scheid from the Committee on Commerce and Consumer Protection, to which was re-referred

S.F. No. 218: A bill for an act relating to airport zoning regulations; establishing disclosure duties regarding airport zoning; amending Minnesota Statutes 2006, sections 82.22, subdivision 8; 513.56, subdivision 3; repealing Minnesota Statutes 2006, section 360.065, subdivision 3.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 1349: A bill for an act relating to courts; authorizing the attorney general to represent guardians ad litem who are sued for acts committed in scope of employment; removing certain salary range language for state court administrator and district administrators; requiring county responsibility for persons civilly committed; reinstating certain bail forfeiture language inadvertently removed; authorizing the state court administrator to develop a uniform form for summons and writ of recovery of premises; modifying provisions of law to conform to current guardian ad litem responsibilities; permitting court administrators to collect restitution for six years; providing new judges expense payments; removing certain obsolete judicial provisions relating to reports; amending Minnesota Statutes 2006, sections 3.732, subdivision 1; 3.736, subdivision 1; 15A.083, subdivision 4; 253B.185, subdivision 5; 352D.02, subdivision 1; 484.54,

subdivision 2; 484.83; 504B.361, subdivision 1; 518.165, subdivisions 1, 2; 518A.35, subdivision 3; 609.135, subdivision 8; Laws 2001, First Special Session chapter 8, article 4, section 4; Laws 2003, First Special Session chapter 2, article 1, section 2; repealing Minnesota Statutes 2006, sections 260B.173; 480.175, subdivision 3; 626A.17, subdivision 3.

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

Page 3, delete section 4

Page 7, line 24, strike "currently in effect"

Page 7, line 26, strike "in effect" and insert "limit"

Page 8, line 4, before "A" insert "(a)"

Page 8, line 7, before "and" insert "restitution,"

Page 8, after line 10, insert:

"(b) The six-year period relating to a defendant's obligation to pay restitution under paragraph (a) does not limit the victim's right to collect restitution through other means such as a civil judgment."

Page 12, line 5, after the first semicolon, insert "and" and delete "; and 626A.17,"

Page 12, line 6, delete "subdivision 3"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, delete "requiring county responsibility for persons civilly committed;"

Amend the title numbers accordingly

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

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 1338: A bill for an act relating to public safety; permitting use of 911 data to notify the public of an emergency; amending Minnesota Statutes 2006, section 403.07, subdivision 4.

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

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2006, section 403.07, subdivision 4, is amended to read:

Subd. 4. **Use of furnished information.** (a) Names, addresses, and telephone numbers provided to a 911 system under subdivision 3 are private data and may be used only for identifying: (1) to identify the location or identity, or both, of a person calling a 911 public safety answering point; or (2) by a public safety answering point to notify the public of an emergency. The information furnished under subdivision 3 may not be used or disclosed by 911 system agencies, their agents, or their employees for any other purpose except under a court order.

(b) For purposes of this subdivision, "emergency" means a situation in which property or human life is in jeopardy and the prompt notification of the public by the public safety answering point is essential.

Sec. 2. Minnesota Statutes 2006, section 403.07, subdivision 5, is amended to read:

Subd. 5. **Liability.** (a) A wire-line telecommunications service provider, its employees, or its agents are not liable to any person who uses enhanced 911 telecommunications service for release of subscriber information required under this chapter to any public safety answering point.

(b) A wire-line telecommunications service provider is not liable to any person for the good faith release to emergency communications personnel of information not in the public record, including, but not limited to, nonpublished or nonlisted telephone numbers.

(c) A wire-line telecommunications service provider, its employees, or its agents are not liable to any person for civil damages resulting from or caused by any act or omission in the development, design, installation, operation, maintenance, performance, or provision of enhanced 911 telecommunications service, except for willful or wanton misconduct.

(d) A multiline telephone system manufacturer, provider, or operator is not liable for any civil damages or penalties as a result of any act or omission, except willful or wanton misconduct, in connection with developing, designing, installing, maintaining, performing, provisioning, adopting, operating, or implementing any plan or system required by section 403.15.

(e) A telecommunications service provider that participates in or cooperates with the public safety answering point in notifying the public of an emergency, as authorized under subdivision 4, is immune from liability arising out of the notification except for willful or wanton misconduct.

Sec. 3. **EFFECTIVE DATE.**

This act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to public safety; permitting use of 911 data to notify the public of an emergency; providing immunity for telecommunications service providers; amending Minnesota Statutes 2006, section 403.07, subdivisions 4, 5."

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

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 1271: A bill for an act relating to family law; making child support policy clarifications and improvements; amending Minnesota Statutes 2006, sections 256.017, subdivisions 1, 6; 518.68, subdivision 2; 518A.28; 518A.32, subdivisions 1, 3, 5, 6; 518A.39, subdivision 2; 518A.40, subdivisions 1, 4; 518A.41, subdivisions 1, 2, 3, 4, 5, 12, 15, 16; 518A.42, subdivision 1; 518A.46, subdivision 5; 518A.75, subdivision 3; 541.04; 548.09, subdivision 1, by adding a subdivision; 548.091, subdivision 1a; 550.01; repealing Minnesota Statutes 2006, section 548.091, subdivision 3b.

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

Pages 1 to 2, delete sections 1 and 2

Page 7, line 22, delete "due to a verified disability" and insert "because a parent is physically or mentally incapacitated"

Page 7, after line 23, insert:

"EFFECTIVE DATE. This section is effective retroactive to January 1, 2007."

Page 8, lines 16 and 17, delete the new language

Page 9, line 6, delete "or"

Page 9, line 8, reinstate the stricken semicolon and delete the period

Page 9, line 9, reinstate the stricken language

Page 9, line 10, reinstate the stricken "through no fault or choice of the party" and after the stricken period, insert "; or"

Page 9, after line 10, insert:

"(6) a deviation was granted based on the factor in section 518A.43, subdivision 1, clause (4), and the child no longer resides in a foreign country or the factor is otherwise no longer applicable."

Page 17, line 27, delete the new language

Page 17, line 28, after the first "child" insert "or spousal maintenance"

Page 20, after line 26, insert:

"Sec. 19. Minnesota Statutes 2006, section 518A.43, subdivision 1, is amended to read:

Subdivision 1. **General factors.** Among other reasons, deviation from the presumptive child support obligation computed under section 518A.34 is intended to encourage prompt and regular payments of child support and to prevent either parent or the joint children from living in poverty. In addition to the child support guidelines and other factors used to calculate the child support obligation under section 518A.34, the court must take into consideration the following factors in setting or modifying child support or in determining whether to deviate upward or downward from the presumptive child support obligation:

(1) all earnings, income, circumstances, and resources of each parent, including real and personal property, but excluding income from excess employment of the obligor or obligee that meets the criteria of section 518A.29, paragraph (b);

(2) the extraordinary financial needs and resources, physical and emotional condition, and educational needs of the child to be supported;

(3) the standard of living the child would enjoy if the parents were currently living together, but recognizing that the parents now have separate households;

(4) whether the child resides in a foreign country that has a substantially higher or lower cost of living than this country;

(5) which parent receives the income taxation dependency exemption and the financial benefit the parent receives from it;

~~(5)~~ (6) the parents' debts as provided in subdivision 2; and

~~(6)~~ (7) the obligor's total payments for court-ordered child support exceed the limitations set forth in section 571.922."

Page 21, line 30, delete "2" and insert "1"

Page 22, line 1, delete "not"

Page 22, line 2, delete "less than 30 days"

Page 22, line 14, after "home" insert ". If the obligee or obligor files a motion to contest the placement or custody of the child, the court may redirect support pending a decision on the placement or custody motion"

Page 22, line 31, delete "and no longer cares for the child"

Page 24, delete section 25

Page 24, line 4, after "TEN" insert "OR 20"

Page 24, line 5, before "No" insert "Except for a child support judgment,"

Page 24, line 7, delete the new language and insert "If the judgment is for child support, including a judgment by operation of law, the action must be commenced within 20 years after initial entry of the judgment or within five years of renewal of the judgment under section 548.091."

Page 24, delete line 8

Page 24, line 19, after "entry" insert ", except that a judgment for child support, including a judgment by operation of law, survives, and the lien continues, for 20 years after its entry" and reinstate the stricken language

Page 26, after line 28, insert:

"Sec. 25. Minnesota Statutes 2006, section 548.091, subdivision 3b, is amended to read:

Subd. 3b. **Child support judgment administrative renewals.** Child support judgments may be renewed for an additional five-year period by service of notice upon the debtor. Service must be by first class mail at the last known address of the debtor, with service deemed complete upon mailing in the manner designated, or in the manner provided for the service of civil process. Upon the filing of the notice and proof of service, the court administrator shall administratively renew the judgment for child support without any additional filing fee in the same court file as the original child support judgment. The judgment must be renewed in an amount equal to the unpaid principle plus the accrued unpaid interest. Child support judgments may be renewed for five-year periods multiple times until paid."

Page 26, line 31, before "The" insert "Except for a child support judgment,"

Page 26, line 33, delete the new language and insert "If the judgment is for child support, including a judgment by operation of law, the judgment may be enforced within 20 years after its

initial entry or within five years of renewal of the judgment under section 548.091."

Page 26, delete line 34

Page 27, delete section 28 and insert:

"Sec. 27. **APPLICATION.**

Sections 22, 23, 25, and 26 apply to child support judgments that have not expired on or come into existence on or after the effective date of those sections."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon

Page 1, line 3, delete "improvements" and insert "clarifying and modifying child support laws; modifying enforcement provisions; extending time periods for enforcing child support judgments"

Amend the title numbers accordingly

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

Senator Moua from the Committee on Judiciary, to which was re-referred

S.F. No. 1061: A bill for an act relating to state government; requiring certificates of pay equity compliance as a condition for certain state contracts; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 363A.

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

Page 1, after line 5, insert:

"Section 1. Minnesota Statutes 2006, section 13.552, is amended by adding a subdivision to read:

Subd. 7. **Certificates of compliance.** Access to data relating to certificates of affirmative action and pay equity compliance is governed by sections 363A.36 and 363A.375.

Sec. 2. Minnesota Statutes 2006, section 363A.36, is amended by adding a subdivision to read:

Subd. 6. **Access to data.** Data submitted to the commissioner by a contractor or potential contractor for purposes of obtaining a certificate of compliance under this section are private data on individuals or nonpublic data with respect to persons other than Department of Human Rights employees. The commissioner's decision to grant, not grant, revoke, or suspend a certificate of compliance is public data."

Page 1, line 21, delete "the chief executive officer"

Page 1, line 22, delete "of"

Page 2, line 29, delete "1" and insert "3" and delete "July 1, 2007" and insert "January 1, 2008"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, after the first semicolon, insert "classifying data;"

Amend the title numbers accordingly

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Moua from the Committee on Judiciary, to which was re-referred

S.F. No. 958: A bill for an act relating to transportation; authorizing state entry onto real property for geotechnical investigation; modifying provisions relating to bridges and culverts; regulating money allocated for rail service improvements; regulating state rail bank property; imposing penalties; amending Minnesota Statutes 2006, sections 117.041, by adding a subdivision; 165.01; 165.03; 222.50, subdivision 7; 222.63, subdivision 4, by adding a subdivision.

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

Page 2, after line 3, insert:

"Sec. 2. Minnesota Statutes 2006, section 117.51, is amended to read:

117.51 COOPERATION WITH FEDERAL AUTHORITIES; REESTABLISHMENT COSTS LIMIT.

Subdivision 1. **Cooperation with federal authorities.** In all acquisitions undertaken by any acquiring authority and in all voluntary rehabilitation carried out by a person pursuant to acquisition or as a consequence thereof, the acquiring authority shall cooperate to the fullest extent with federal departments and agencies, and it shall take all necessary action in order to insure, to the maximum extent possible, federal financial participation in any and all phases of acquisition, including the provision of relocation assistance, services, payments and benefits to displaced persons.

Subd. 1a. **Reestablishment costs limit.** For purposes of relocation benefits paid by the acquiring authority in accordance with this section, the provisions of Code of Federal Regulations, title 49, part 24, with respect to reimbursement of reestablishment expenses for nonresidential moves are applicable, except that the acquiring authority shall reimburse the displaced business for eligible expenses up to a maximum of \$50,000.

EFFECTIVE DATE. This section is effective retroactively from January 16, 2007.

Sec. 3. Minnesota Statutes 2006, section 117.52, subdivision 1a, is amended to read:

Subd. 1a. **Reestablishment costs limit.** For purposes of relocation benefits paid by the acquiring authority in accordance with this section, the provisions of Code of Federal Regulations, title 49, ~~section 24.304~~ part 24, with respect to reimbursement of reestablishment expenses for nonresidential moves are applicable, except that the acquiring authority shall reimburse the displaced business for eligible expenses ~~actually incurred~~ up to a maximum of \$50,000.

EFFECTIVE DATE. This section is effective retroactively from January 16, 2007."

Page 6, line 17, before "misdemeanors" insert "petty"

Page 6, line 31, delete "or" and after the second "vehicles" insert ", or other vehicles authorized to use rail bank property"

Page 7, line 1, before "Any" insert "Unless a greater penalty is provided elsewhere in statute," and before "misdemeanor" insert "petty"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, before "modifying" insert "providing for reestablishment costs limit;"

Amend the title numbers accordingly

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

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 794: A bill for an act relating to real property; providing for homestead property; amending Minnesota Statutes 2006, sections 510.02; 510.05; 550.175, subdivisions 1, 4, by adding a subdivision; 550.18; 550.19; 550.22; 550.24; 580.24; proposing coding for new law in Minnesota Statutes, chapter 550.

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

Page 1, delete section 1 and insert:

"Section 1. Minnesota Statutes 2006, section 394.36, is amended by adding a subdivision to read:

Subd. 5. **Ownership of lot or parcel not relevant.** A county must not refuse to issue a permit for construction of a single-family residence based upon the common ownership of a contiguous nonconforming lot or parcel, provided that contiguous nonconforming lots or parcels under the same ownership contain no more than three residential structures. A conforming lot or parcel of land retains its conforming status regardless of the ownership of title to an adjoining nonconforming lot or parcel of land. This subdivision does not prohibit the application of other applicable statutes, ordinances, or regulations in furtherance of health, safety, or welfare, nor allow an increase in the nonconformity of a lot or parcel. A county must not prohibit the sale of a residential lot based upon the common ownership of a contiguous nonconforming lot or parcel.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 2. Minnesota Statutes 2006, section 462.357, subdivision 1e, is amended to read:

Subd. 1e. **Nonconformities.** (a) Any nonconformity, including the lawful use or occupation of land or premises existing at the time of the adoption of an additional control under this chapter, may be continued, including through repair, replacement, restoration, maintenance, or improvement, but not including expansion, unless:

(1) the nonconformity or occupancy is discontinued for a period of more than one year; or

(2) any nonconforming use is destroyed by fire or other peril to the extent of greater than 50 percent of its market value, and no building permit has been applied for within 180 days of when the property is damaged. In this case, a municipality may impose reasonable conditions upon a building permit in order to mitigate any newly created impact on adjacent property.

(b) Any subsequent use or occupancy of the land or premises shall be a conforming use or occupancy. A municipality may, by ordinance, permit an expansion or impose upon nonconformities reasonable regulations to prevent and abate nuisances and to protect the public health, welfare, or safety. This subdivision does not prohibit a municipality from enforcing an ordinance that applies to adults-only bookstores, adults-only theaters, or similar adults-only businesses, as defined by ordinance.

(c) Notwithstanding paragraph (a), a municipality shall regulate the repair, replacement, maintenance, improvement, or expansion of nonconforming uses and structures in floodplain areas to the extent necessary to maintain eligibility in the National Flood Insurance Program and not increase flood damage potential or increase the degree of obstruction to flood flows in the floodway.

(d) A municipality must not refuse to issue a permit for construction of a single-family residence based upon the common ownership of a contiguous nonconforming lot or parcel, provided that contiguous nonconforming lots or parcels under the same ownership contain no more than three residential structures. A conforming lot or parcel of land retains its conforming status regardless of the ownership of title to an adjoining nonconforming lot or parcel of land. This subdivision does not prohibit the application of other applicable statutes, ordinances, or regulations in furtherance of health, safety, or welfare, nor allow an increase in the nonconformity of a lot or parcel. A municipality must not prohibit the sale of a residential lot or parcel based upon the common ownership of a contiguous nonconforming lot or parcel.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 510.02, is amended to read:

510.02 AREA AND VALUE; HOW LIMITED.

Subdivision 1. **Exemption.** The homestead may include any quantity of land not exceeding 160 acres, and not included in the laid out or platted portion of any city. If the homestead is within the laid out or platted portion of a city, its area must not exceed ~~one-half of an~~ one acre. The ~~value of the homestead exemption~~ amount of the exemption per homestead, whether the exemption is claimed ~~jointly or individually~~ by one or more debtors, may not exceed ~~\$200,000~~ \$300,000 or, if the homestead is used primarily for agricultural purposes, ~~\$500,000~~ \$750,000, exclusive of the limitations set forth in section 510.05.

Subd. 2. **Adjustment of dollar amounts.** The dollar amounts in subdivision 1 must change periodically in the manner provided for under section 550.37, subdivision 4a. The commissioner of commerce shall include the changes in the dollar amounts as part of the announcement and publication made under those provisions."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the first semicolon, insert "providing that ownership of contiguous parcels

of property must not be considered for certain land use and zoning purposes; increasing the dollar amount of the homestead exemption and providing for inflationary adjustments;"

Amend the title numbers accordingly

And when so amended the bill do pass and be re-referred to the Committee on State and Local Government Operations and Oversight. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 69, 1542, 218, 1349, 1338, 1271 and 958 were read the second time.

MOTIONS AND RESOLUTIONS

Senator Koering moved that the name of Senator Wergin be added as a co-author to S.F. No. 2113. The motion prevailed.

Senator Rest moved that the name of Senator Bonoff be added as a co-author to S.F. No. 2126. The motion prevailed.

Senator Olseen introduced –

Senate Resolution No. 67: A Senate resolution honoring Garrett Smetana, of North Branch, Minnesota, for attaining the prestigious rank of Eagle Scout and receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Dibble introduced –

Senate Resolution No. 68: A Senate resolution honoring The Woman's Club of Minneapolis on the occasion of its centennial celebration.

Referred to the Committee on Rules and Administration.

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

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senators Olson, M. and Skoe introduced–

S.F. No. 2184: A bill for an act relating to taxation; property; modifying the homestead local option disaster abatement provisions; amending Minnesota Statutes 2006, section 273.123, subdivision 7.

Referred to the Committee on Taxes.

Senator Skoe introduced—

S.F. No. 2185: A bill for an act relating to taxation; increasing the value threshold for taxability of certain structures; modifying qualifications for confessions of judgment on delinquent taxes; eliminating accelerated payments of deed taxes; authorizing acceptance of partial payments of delinquent property taxes and payment of property tax refund claims for homesteads with delinquent taxes; amending Minnesota Statutes 2006, sections 273.125, subdivision 8; 279.37, subdivision 1a; 280.39; 287.29, subdivision 1; 290A.10.

Referred to the Committee on Taxes.

Senators Saxhaug, Olson, M.; Bakk and Tomassoni introduced—

S.F. No. 2186: A bill for an act relating to economic development; requiring a closed wood products manufacturing plant to be maintained for a period of time; proposing coding for new law in Minnesota Statutes, chapter 116J.

Referred to the Committee on Business, Industry and Jobs.

Senators Senjem and Koering introduced—

S.F. No. 2187: A bill for an act relating to human services; modifying reimbursement for critical access dental providers; requiring additional staff to be hired to administer the critical access dental program; amending Minnesota Statutes 2006, sections 256B.76; 256L.11, subdivision 7.

Referred to the Committee on Health, Housing and Family Security.

Senators Gerlach, Senjem, Michel, Koch and Gimse introduced—

S.F. No. 2188: A bill for an act relating to taxes; providing a sales tax rebate; appropriating money.

Referred to the Committee on Taxes.

Senators Clark, Senjem, Pappas, Erickson Ropes and Sheran introduced—

S.F. No. 2189: A bill for an act relating to higher education; requiring certain students enrolled in institutions of higher education to sign a written waiver if they choose not to be vaccinated against meningococcal disease; amending Minnesota Statutes 2006, section 135A.14, subdivision 2.

Referred to the Committee on Higher Education.

MOTIONS AND RESOLUTIONS - CONTINUED**SPECIAL ORDERS**

Pursuant to Rule 26, Senator Pogemiller, Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

S.F. Nos. 1333 and 2171.

SPECIAL ORDER

S.F. No. 1333: A bill for an act relating to commerce; enacting a car buyers' bill of rights; requiring disclosures; regulating the sale of "certified" used motor vehicles; requiring a cancellation option on purchase of a used motor vehicle; amending Minnesota Statutes 2006, sections 53C.01, by adding subdivisions; 53C.08, by adding a subdivision; 325F.662, subdivision 10, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 53C.

Senator Latz moved to amend S.F. No. 1333 as follows:

Page 3, delete lines 5 to 11 and insert:

"(a) When a consumer report from a consumer reporting agency has been obtained by a lender or retail seller for use in connection with an application for credit initiated by a buyer for the purchase or lease of a motor vehicle:

(1) the lender shall provide to the retail seller, upon written request of the buyer, and unless required by federal law to provide the adverse action notice, prior to the sale or lease of the motor vehicle, the name of each credit reporting agency providing a consumer report that was obtained and used by the lender;

(2) the retail seller shall provide, prior to the sale or lease of the motor vehicle the following notice in at least ten-point boldface type on a document separate from the sale or lease contract, which must also include the name, address, and telephone number of four principal consumer reporting agencies:"

Page 3, line 13, delete "The dealer used a" and insert "A" and after "agency" insert "was used"

Page 3, line 18, delete "please" and insert "you are entitled to know the name, address, and telephone number of the consumer reporting agency that provided the consumer report used to evaluate your loan application. You may ask the dealer for this information. You may then"

Page 3, line 21, delete everything after "annualcreditreport.com" and insert """; and"

Page 3, after line 21, insert:

"(3) upon written request of the buyer, the retail seller shall obtain from the lender the consumer reporting agency information specified in clause (1) and shall provide that information to the buyer."

Page 3, line 32, delete "have known" and insert "know"

Page 4, lines 1, 3, 7, and 9, delete "have known" and insert "know"

The motion prevailed. So the amendment was adopted.

Senator Latz moved to amend S.F. No. 1333 as follows:

Page 1, delete section 1

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Wergin moved to amend S.F. No. 1333 as follows:

Page 4, delete section 8

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

CALL OF THE SENATE

Senator Betzold imposed a call of the Senate for the balance of the proceedings on S.F. No. 1333. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Wergin amendment. The motion did not prevail. So the amendment was not adopted.

Senator Ingebrigtsen moved to amend S.F. No. 1333 as follows:

Page 4, line 32, delete "second" and insert "next business"

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

S.F. No. 1333 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 40 and nays 25, as follows:

Those who voted in the affirmative were:

Anderson	Cohen	Higgins	Olson, G.	Saxhaug
Bakk	Dibble	Johnson	Olson, M.	Scheid
Berglin	Dille	Latz	Pappas	Sheran
Betzold	Doll	Lourey	Pogemiller	Skoe
Bonoff	Erickson Ropes	Lynch	Prettner Solon	Tomassoni
Carlson	Foley	Marty	Rest	Torres Ray
Chaudhary	Frederickson	Moua	Rummel	Vanderveer
Clark	Gerlach	Neuville	Saltzman	Wiger

Those who voted in the negative were:

Day	Jungbauer	Limmer	Ortman	Skogen
Fischbach	Koch	Metzen	Pariseau	Sparks
Gimse	Koering	Michel	Robling	Stumpf
Hann	Kubly	Murphy	Rosen	Vickerman
Ingebrigtsen	Langseth	Olseen	Senjem	Wergin

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

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate

reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 60, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 60: A bill for an act relating to local government; authorizing the city of Duluth to establish accounts to pay for postemployment benefits owed to retired employees and to generate revenue dedicated to meet certain city obligations; appropriating money; proposing coding for new law in Minnesota Statutes, chapters 11A and 353.

Senate File No. 60 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned March 29, 2007

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 274, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 274 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted March 29, 2007

CONFERENCE COMMITTEE REPORT ON H. F. NO. 274

A bill for an act relating to the Rural Finance Authority; providing for sale of bonds; appropriating money.

March 27, 2007

The Honorable Margaret Anderson Kelliher
Speaker of the House of Representatives

The Honorable James P. Metzen
President of the Senate

We, the undersigned conferees for H. F. No. 274 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment.

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

House Conferees: (Signed) Al Juhnke, Mary Ellen Otremba, Brad Finstad

Senate Conferees: (Signed) Jim Vickerman, Sharon Erickson Ropes, David Hann

Senator Vickerman moved that the foregoing recommendations and Conference Committee Report on H.F. No. 274 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 274 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 65 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Erickson Ropes	Kubly	Olson, G.	Scheid
Bakk	Fischbach	Langseth	Olson, M.	Senjem
Berglin	Foley	Latz	Ortman	Sheran
Betzold	Frederickson	Limmer	Pappas	Skoe
Bonoff	Gerlach	Lourey	Pariseau	Skogen
Carlson	Gimse	Lynch	Pogemiller	Sparks
Chaudhary	Hann	Marty	Prettner Solon	Stumpf
Clark	Higgins	Metzen	Rest	Tomassoni
Cohen	Ingebrigtsen	Michel	Robling	Torres Ray
Day	Johnson	Moua	Rosen	Vandever
Dibble	Jungbauer	Murphy	Rummel	Vickerman
Dille	Koch	Neuville	Saltzman	Wergin
Doll	Koering	Olseen	Saxhaug	Wiger

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

MOTIONS AND RESOLUTIONS - CONTINUED

SPECIAL ORDER

S.F. No. 2171: A bill for an act relating to state government; making changes to health and human services programs; modifying health policy; changing licensing provisions; altering provisions for mental and chemical health; modifying child care provisions; amending children and family services provisions; changing continuing care provisions; amending MinnesotaCare; adjusting child care assistance eligibility; establishing family stabilization services; enacting federal compliance requirements; expanding medical assistance coverage; providing rate increases for certain providers; modifying fees; appropriating money for human services, health, veterans nursing homes boards, the Emergency Medical Services Regulatory Board; health care boards, the Council on Disability, the ombudsman for mental health and developmental disabilities, and the ombudsman for families; requiring reports; amending Minnesota Statutes 2006, sections 16A.724, subdivision 2, by adding subdivisions; 47.58, subdivision 8; 62E.02, subdivision 7; 62J.07, subdivisions 1, 3; 62J.495; 62J.692, subdivisions 1, 4, 5, 8; 62J.82; 62L.02, subdivision 11; 62Q.165, subdivisions 1, 2; 62Q.80, subdivisions 3, 4, 13, 14, by adding a subdivision; 69.021, subdivision 11; 103I.101, subdivision 6; 103I.208, subdivisions 1, 2; 103I.235, subdivision 1; 119B.011, by adding a subdivision; 119B.035, subdivision 1; 119B.05, subdivision 1; 119B.09, subdivision 1; 119B.12, by

adding a subdivision; 119B.13, subdivisions 1, 7; 144.123; 144.125, subdivisions 1, 2; 144.3345; 144D.03, subdivision 1; 148.5194, by adding a subdivision; 148.6445, subdivisions 1, 2; 148C.11, subdivision 1; 149A.52, subdivision 3; 149A.97, subdivision 7; 153A.14, subdivision 4a; 153A.17; 169A.70, subdivision 4; 245.465, by adding a subdivision; 245.4874; 245.771, by adding a subdivision; 245.98, subdivision 2; 245A.035; 245A.10, subdivision 2; 245A.16, subdivisions 1, 3; 245C.02, by adding a subdivision; 245C.04, subdivision 1; 245C.05, subdivisions 1, 4, 5, 7, by adding a subdivision; 245C.08, subdivisions 1, 2; 245C.10, by adding a subdivision; 245C.11, subdivisions 1, 2; 245C.12; 245C.16, subdivision 1; 245C.17, by adding a subdivision; 245C.21, by adding a subdivision; 245C.23, subdivision 2; 246.54, subdivisions 1, 2; 252.27, subdivision 2a; 252.32, subdivision 3; 253B.185, by adding a subdivision; 254B.02, subdivision 3; 256.01, subdivision 2b, by adding subdivisions; 256.482, subdivisions 1, 8; 256.969, subdivisions 3a, 9, 27, by adding a subdivision; 256.975, subdivision 7; 256B.04, subdivision 14, by adding a subdivision; 256B.056, subdivision 10; 256B.0621, subdivision 11; 256B.0622, subdivision 2; 256B.0623, subdivision 5; 256B.0625, subdivisions 17, 18a, 20, 30, by adding subdivisions; 256B.0631, subdivisions 1, 3; 256B.0911, subdivisions 1a, 3a, 3b, by adding a subdivision; 256B.0913, by adding a subdivision; 256B.0915, by adding a subdivision; 256B.0943, subdivision 8; 256B.0945, subdivision 4; 256B.095; 256B.0951, subdivision 1; 256B.15, by adding a subdivision; 256B.199; 256B.431, subdivisions 2e, 41; 256B.434, subdivision 4, by adding a subdivision; 256B.437, by adding a subdivision; 256B.441, subdivisions 1, 2, 5, 6, 10, 11, 13, 14, 17, 20, 24, 30, 31, 34, 38, by adding subdivisions; 256B.49, subdivisions 11, 16; 256B.5012, by adding a subdivision; 256B.69, subdivisions 2, 4, 5g, 5h; 256B.75; 256B.76; 256B.763; 256D.03, subdivisions 3, 4; 256I.04, subdivision 3; 256I.05, by adding subdivisions; 256J.01, by adding a subdivision; 256J.02, by adding a subdivision; 256J.021; 256J.08, subdivision 65; 256J.20, subdivision 3; 256J.32, subdivision 6; 256J.425, subdivisions 3, 4; 256J.49, subdivision 13; 256J.521, subdivisions 1, 2; 256J.53, subdivision 2; 256J.55, subdivision 1; 256J.626, subdivisions 1, 2, 3, 4, 5, 6; 256L.01, subdivisions 1, 4; 256L.03, subdivisions 1, 3, 5; 256L.035; 256L.04, subdivisions 1, 1a, 7, 10; 256L.05, subdivisions 1, 1b, 2, 3a; 256L.07, subdivisions 1, 2, 3, 6; 256L.09, subdivision 4; 256L.11, subdivision 7; 256L.12, subdivision 9a; 256L.15, subdivisions 1, 2, 4; 256L.17, subdivisions 2, 3, 7; 259.20, subdivision 2; 259.29, subdivision 1; 259.41; 259.53, subdivision 2; 259.57, subdivision 2; 259.67, subdivision 4; 260C.209; 260C.212, subdivision 2; 462A.05, by adding a subdivision; 518A.56, by adding a subdivision; 609.115, subdivisions 8, 9; Laws 2005, chapter 98, article 3, section 25; Laws 2005, First Special Session chapter 4, article 9, section 3, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 16C; 144; 145; 149A; 245; 245C; 252; 254A; 256; 256B; 256C; 256J; 256L; repealing Minnesota Statutes 2006, sections 62A.301; 62J.692, subdivision 10; 256B.0631, subdivision 4; 256B.441, subdivisions 12, 16, 21, 26, 28, 42, 45; 256J.24, subdivision 6; 256J.29; 256J.37, subdivisions 3a, 3b; 256J.626, subdivisions 7, 9; 256L.035; 256L.07, subdivision 2a; Laws 2004, chapter 288, article 6, section 27; Minnesota Rules, parts 4610.2800; 9585.0030.

Senator Berglin moved to amend S.F. No. 2171 as follows:

Page 118, line 29, after the period, insert "Regardless of the consultation, prospective residents maintain the right to choose housing with services or assisted living if that option is their preference."

Page 118, line 33, after the period, insert "The consultation shall be performed in a manner that provides objective and complete information."

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 2171 as follows:

Page 29, after line 21, insert:

"(c) Expenditures on the program are maintenance of effort state funds. Months in which a participant receives transitional assistance under this section do not count toward the participant's MFIP 60-month time limit."

Page 76, line 13, delete "December 31" and insert "February 29"

Page 76, lines 20 and 34, delete "January 1, 2009" and insert "March 1, 2008"

Page 91, line 33, delete "December"

Page 91, delete line 34 and insert "February 29, 2008:"

Page 92, lines 6 and 22, delete "January 1, 2009" and insert "March 1, 2008"

Page 111, delete line 19 and insert "intermediate care facility for persons with developmental disabilities in Hibbing, with a per diem rate of \$164.13 as of March 1, 2007, for persons who"

Page 189, after line 11, insert:

"Section 1. [62J.496] ELECTRONIC HEALTH RECORD SYSTEM REVOLVING ACCOUNT AND LOAN PROGRAM.

Subdivision 1. **Account establishment.** The commissioner of finance shall establish and implement a revolving account in the state government special revenue fund to provide loans to eligible borrowers to assist in financing the installation or support of an interoperable health record system. The system must provide for the interoperable exchange of health care information between the applicant and, at a minimum, a hospital system, pharmacy, and a health care clinic or other physician group.

Subd. 2. **Eligibility.** (a) "Eligible borrower" means one of the following:

(1) community clinics, as defined under section 145.9268;

(2) hospitals eligible for rural hospital capital improvement grants, as defined in section 144.148;

(3) physician clinics located in a community with a population of less than 50,000 according to United States Census Bureau statistics and outside the seven-county metropolitan area;

(4) nursing facilities licensed under sections 144A.01 to 144A.27; and

(5) other providers of health or health care services approved by the commissioner for which interoperable electronic health record capability would improve quality of care, patient safety, or community health.

(b) To be eligible for a loan under this section, the applicant must submit a loan application to the commissioner of health on forms prescribed by the commissioner. The application must include, at a minimum:

(1) the amount of the loan requested and a description of the purpose or project for which the loan proceeds will be used;

- (2) a quote from a vendor;
- (3) a description of the health care entities and other groups participating in the project;
- (4) evidence of financial stability and a demonstrated ability to repay the loan; and
- (5) a description of how the system to be financed interconnects or plans in the future to interconnect with other health care entities and provider groups located in the same geographical area.

Subd. 3. **Loans.** (a) The commissioner of health may make a no interest loan to a provider or provider group who is eligible under subdivision 2 on a first-come, first-served basis provided that the applicant is able to comply with this section. The total accumulative loan principal must not exceed \$1,500,000 per loan. The commissioner of health has discretion over the size and number of loans made.

(b) The commissioner of health may prescribe forms and establish an application process and, notwithstanding section 16A.1283, may impose a reasonable nonrefundable application fee to cover the cost of administering the loan program.

(c) The borrower must begin repaying the principal no later than two years from the date of the loan. Loans must be amortized no later than six years from the date of the loan.

(d) Repayments must be credited to the account.

Subd. 4. **Data classification.** Data collected by the commissioner of health on the application to determine eligibility under subdivision 2 and to monitor borrowers' default risk or collect payments owed under subdivision 3 are (1) private data on individuals as defined in section 13.02, subdivision 12; and (2) nonpublic data as defined in section 13.02, subdivision 9. The names of borrowers and the amounts of the loans granted are public data."

Page 215, after line 10, insert:

"Section 1. Minnesota Statutes 2006, section 13.381, is amended by adding a subdivision to read:

Subd. 16a. **Prescription electronic reporting system.** Access to data in the prescription electronic reporting system is governed by section 152.126."

Page 218, after line 32, insert:

"Sec. 10. **[152.126] CONTROLLED SUBSTANCES PRESCRIPTION ELECTRONIC REPORTING SYSTEM.**

Subdivision 1. **Definitions.** For purposes of this section, the terms defined in this subdivision have the meanings given.

- (a) "Board" means the Minnesota State Board of Pharmacy established under chapter 151.
- (b) "Controlled substances" means those substances listed in section 152.02, subdivisions 3 and 4, and those substances defined by the board pursuant to section 152.02, subdivisions 7, 8, and 12.
- (c) "Dispense" or "dispensing" has the meaning given in section 151.01, subdivision 30.

Dispensing does not include the direct administering of a controlled substance to a patient by a licensed health care professional.

(d) "Dispenser" means a person authorized by law to dispense, pursuant to a valid prescription, a controlled substance. A dispenser does not include a licensed hospital pharmacy that distributes controlled substances for inpatient hospital care.

(e) "Prescriber" means a licensed health care professional who is authorized to prescribe a controlled substance under section 152.12, subdivision 1.

(f) "Prescription" has the meaning given in section 151.01, subdivision 16.

Subd. 2. Prescription electronic reporting system. (a) The board shall establish by January 1, 2009, an electronic system for reporting the information required under subdivision 3 for all controlled substances dispensed within the state. Data for controlled substance prescriptions that are dispensed in a quantity small enough to provide treatment to a patient for a period of 48 hours or less need not be reported.

(b) The board may contract with a vendor for the purpose of obtaining technical assistance in the design, implementation, and maintenance of the electronic reporting system. The vendor's role shall be limited to providing technical support to the board concerning the software, databases, and computer systems required to interface with the existing systems currently used by pharmacies to dispense prescriptions and transmit prescription data to other third parties.

Subd. 3. Reporting requirements; notice. (a) Each dispenser must submit the following data to the board or its designated vendor, subject to the notice required under paragraph (d):

- (1) name of the prescriber;
- (2) national provider identifier of the prescriber;
- (3) name of the dispenser;
- (4) national provider identifier of the dispenser;
- (5) name of the patient for whom the prescription was written;
- (6) date of birth of the patient for whom the prescription was written;
- (7) date the prescription was written;
- (8) date the prescription was filled;
- (9) name and strength of the controlled substance;
- (10) quantity of controlled substance prescribed; and
- (11) quantity of controlled substance dispensed.

(b) The dispenser must submit the required information by a procedure and in a format established by the board.

(c) A dispenser is not required to submit this data for those controlled substance prescriptions dispensed for individuals residing in licensed skilled nursing or intermediate care facilities.

(d) A dispenser must not submit data under this subdivision unless a conspicuous notice of the reporting requirements of this section is given to the patient for whom the prescription was written.

Subd. 4. **Use of data by board.** (a) The board shall develop and maintain a database of the data reported under subdivision 3. The database may be used by permissible users identified under subdivision 5 for the identification of:

(1) individuals receiving prescriptions for controlled substances from prescribers who subsequently obtain controlled substances from dispensers in quantities or with a frequency inconsistent with standards accepted by national and international pain management associations of dosage for those controlled substances; and

(2) individuals presenting forged or otherwise false or altered prescriptions for controlled substances to dispensers.

(b) No permissible user identified under subdivision 5 may access the database for the sole purpose of identifying prescribers of controlled substances for unusual or excessive prescribing patterns without a valid search warrant or court order.

(c) No personnel of a state or federal occupational licensing board or agency may access the database for the purpose of obtaining information to be used to initiate or substantiate a disciplinary action against a prescriber.

Subd. 5. **Access to reporting system data.** (a) Except as indicated in this subdivision, the data submitted to the board under subdivision 3 is private data on individuals as defined in section 13.02, subdivision 12.

(b) Except as specified in subdivision 4, the following persons shall be considered permissible users and may access the data submitted under subdivision 3 in the same or similar manner, and for the same or similar purposes, as those persons who are authorized to access similar private data on individuals under federal and state law:

(1) a prescriber, to the extent the information relates specifically to a current patient of the prescriber, to whom the practitioner is prescribing or considering prescribing any controlled substance;

(2) a dispenser, to the extent the information relates specifically to a current patient to whom that dispenser is dispensing or considering dispensing any controlled substance;

(3) an individual who is the recipient of a controlled substance prescription for which data was submitted under subdivision 3, or a guardian of the individual, parent or guardian of a minor, or health care agent of the individual acting under a health care directive under chapter 145C;

(4) personnel of the board specifically assigned to conduct a bona fide investigation of a specific licensee;

(5) personnel of the board engaged in the collection of controlled substance prescription information as part of the assigned duties and responsibilities under this section;

(6) authorized personnel of a vendor under contract with the board who are engaged in the design, implementation, and maintenance of the electronic reporting system as part of the assigned duties and responsibilities of their employment, provided that access to data is limited to the minimum

amount necessary to test and maintain the system databases;

(7) federal, state, and local law enforcement authorities acting pursuant to a valid search warrant; and

(8) personnel of the medical assistance program assigned to use the data collected under this section to identify recipients whose usage of controlled substances may warrant restriction to a single primary care physician, a single outpatient pharmacy, or a single hospital.

For purposes of clause (3), access by an individual includes persons in the definition of an individual under section 13.02.

(c) Any permissible user identified in paragraph (b), who directly accesses the data electronically, shall implement and maintain a comprehensive information security program that contains administrative, technical, and physical safeguards that are appropriate to the user's size and complexity, and the sensitivity of the personal information obtained. The permissible user shall identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of personal information that could result in the unauthorized disclosure, misuse, or other compromise of the information and assess the sufficiency of any safeguards in place to control the risks.

(d) The board shall not release data submitted under this section unless it is provided with evidence, satisfactory to the board, that the person requesting the information is entitled to receive the data.

(e) The board shall not release the name of a prescriber without the written consent of the prescriber or a valid search warrant or court order. The board shall provide a mechanism for a prescriber to submit to the board a signed consent authorizing the release of the prescriber's name when data containing the prescriber's name is requested.

(f) The board shall maintain a log of all persons who access the data and shall ensure that any permissible user complies with paragraph (c) prior to attaining direct access to the data.

Subd. 6. **Disciplinary action.** (a) A dispenser who knowingly fails to submit data to the board as required under this section is subject to disciplinary action by the appropriate health-related licensing board.

(b) A prescriber or dispenser authorized to access the data who knowingly discloses the data in violation of state or federal laws relating to the privacy of health care data shall be subject to disciplinary action by the appropriate health-related licensing board.

Subd. 7. **Evaluation and reporting.** (a) The board shall evaluate the prescription electronic reporting system to determine if the system is cost-effective and whether it is negatively impacting appropriate prescribing practices of controlled substances. The board may contract with a vendor to design and conduct the evaluation.

(b) The board shall submit the evaluation of the system to the legislature by January 15, 2010.

EFFECTIVE DATE. This section is effective July 1, 2007, or upon receiving sufficient nonstate funds to implement the prescription electronic funding program, whichever is later. In the event that nonstate funds are not secured by the Board of Pharmacy to adequately fund the implementation of

the prescription electronic reporting program, the board is not required to implement this section without a subsequent appropriation from the legislature.

Sec. 11. **FEDERAL GRANTS.**

The Board of Pharmacy shall apply for any applicable federal grants or other nonstate funds to establish and fully implement the prescription electronic reporting system.

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

Sec. 12. **BOARD OF PHARMACY.**

The Board of Pharmacy shall not increase the license fees of pharmacists or pharmacies in order to adequately fund the prescription electronic reporting system under Minnesota Statutes, section 152.126, without specific authority from the legislature.

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

Page 221, line 12, delete "1,791,000" and insert "2,091,000" and delete "3,977,000" and insert "4,277,000"

Page 221, line 13, delete "5,486,107,000" and insert "5,485,904,000" and delete "5,986,300,000" and insert "5,986,503,000"

Page 221, line 28, delete "5,271,550,000" and insert "5,271,347,000" and delete "5,776,015,000" and insert "5,776,218,000"

Page 221, line 31, delete "4,580,953,000" and insert "4,580,750,000" and delete "4,988,115,000" and insert "4,988,318,000"

Page 237, line 18, delete "1,113,247,000" and insert "1,113,257,000"

Page 242, line 18, delete "496,601,000" and insert "496,736,000" and delete "507,996,000" and insert "508,199,000"

Page 252, delete lines 30 to 33 and insert "maintained by the commissioner."

Correct the subdivision and section totals and the appropriations by fund

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 2171 as follows:

Page 257, line 30, delete "and annually thereafter,"

The motion prevailed. So the amendment was adopted.

Senator Dille moved to amend S.F. No. 2171 as follows:

Page 218, after line 32, insert:

"Sec. 9. **[156.015] FEES.**

Subdivision 1. **Verification of licensure.** The board may charge a fee of \$25 per license verification to a licensee for verification of licensure status provided to other veterinary licensing boards.

Subd. 2. **Continuing education review.** The board may charge a fee of \$50 per submission to a sponsor for review and approval of individual continuing education seminars, courses, wet labs, and lectures. This fee does not apply to continuing education sponsors that already meet the criteria for preapproval under Minnesota Rules, part 9100.1000, subpart 3, item A."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Bonoff moved to amend S.F. No. 2171 as follows:

Page 115, after line 31, insert:

"Sec. 10. Minnesota Statutes 2006, section 256B.0655, subdivision 8, is amended to read:

Subd. 8. **Public health nurse assessment rate.** (a) The reimbursement rates for public health nurse visits that relate to the provision of personal care services under this section and section 256B.0625, subdivision 19a, are:

- (i) \$210.50 for a face-to-face assessment visit;
- (ii) \$105.25 for each service update; and
- (iii) \$105.25 for each request for a temporary service increase.

(b) The rates specified in paragraph (a) must be adjusted to reflect provider rate increases for personal care assistant services that are approved by the legislature for the fiscal year ending June 30, 2000, and subsequent fiscal years. Any requirements applied by the legislature to provider rate increases for personal care assistant services also apply to adjustments under this paragraph.

(c) The payment rate for assessments not completed on time shall be reduced by 15 percent. The commissioner shall recoup these amounts on a retroactive basis."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Neuville moved to amend S.F. No. 2171 as follows:

Page 220, after line 30, insert:

"Sec. 11. **HEALTH CARE SYSTEM REDESIGN FOR THE STATE OF MINNESOTA.**

Subdivision 1. **Redesign.** The Legislative Commission on Health Care Access shall consider when making recommendations to the legislature on how to achieve universal coverage under

Minnesota Statutes, section 62J.07, a statewide redesign of the Minnesota health care system that meets the parameters described in subdivision 2.

Subd. 2. **Plan parameters.** (a) The statewide health care redevelopment plan shall include:

(1) the development of a state-funded catastrophic health plan to be available to every citizen of Minnesota. The catastrophic health plan must meet the criteria described in subdivision 3;

(2) the development of gap insurance policies to be offered on an individual guaranteed basis. The gap insurance polices must meet the criteria described in subdivision 4;

(3) recommendations for funding arrangements necessary to finance the state catastrophic health plan, including, but not limited to, a one percent employer payroll fee and a one percent employee payroll fee. The plan shall also explore eliminating tax deductions for employers for providing health benefits directly to their employees and creating tax deductions for individuals for health plan premiums, medical expenses, and contributions to a health savings account;

(4) providing a premium subsidy in the form of a voucher for low-income individuals and families who are not eligible for medical assistance to enable these individuals and families to purchase a gap insurance policy or contribute to a health savings account. The amount of the subsidy must be based on income and family size;

(5) the development of a health care information Web site that contains information on health care costs and quality indicators. The Web site must include information and links to enable consumers to assess and compare cost, quality, and efficiency of Minnesota health care providers and health plan options;

(6) recommendations on the implementation of an electronic medical expense card that would track an individual's medical expenses incurred during the calendar year in order to determine eligibility to the state catastrophic health plan; and

(7) an analysis on the expected impact on the health care system in terms of cost, access to coverage and services, rate of uninsurance, rate of uncompensated care provided, and quality of care.

(b) The proposed plan shall maintain the medical assistance program as a safety net for low-income, disabled, and elderly persons.

(c) In developing the statewide plan, the commissioner and task force may offer alternative proposals to those specified in this section as long as the proposed alternatives follow the basic parameters of the redesign proposal.

Subd. 3. **State catastrophic health plan.** (a) The state catastrophic health plan shall provide health care coverage to any individual who has spent within a calendar year the greater of:

(1) 12 percent of the individual's or family's gross income based on the previous calendar year's gross income; or

(2) \$30,000 for a family or \$20,000 for an individual on medical expenses, including premiums and cost sharing.

(b) To be eligible for the state catastrophic health plan, an individual must not be eligible for

Medicare or the medical assistance program.

(c) To be eligible for the state catastrophic health plan, an individual must have been a legal citizen of Minnesota for at least six months.

(d) The catastrophic health plan must provide coverage for the following benefits:

(1) hospital services;

(2) professional services for the diagnosis or treatment of injuries, illnesses, or conditions, other than dental, which are rendered by a physician or at a physician's direction;

(3) prescription drugs;

(4) anesthetics;

(5) rental or purchase, as appropriate, of durable medical equipment other than eyeglasses and hearing aids;

(6) diagnostic x-rays and laboratory tests; and

(7) transportation provided by a licensed ambulance service to the nearest facility qualified to treat the condition.

(e) The plan may include cost-sharing requirements.

Subd. 4. **Gap insurance policies.** The gap insurance policies shall be offered on an individual guaranteed basis to provide health care coverage until eligibility for the state catastrophic health plan is met. The gap insurance policies must provide coverage for all benefits offered under the state catastrophic health plan. Premium rates may vary to reflect actuarially valid differences attributable to age, nonuse of tobacco, and compliance with recommended health screenings and preventive care. Premium rate variations must be in accordance with Minnesota Statutes, section 62L.08. The purchase of gap insurance shall be optional with a variety of plans offered with a range of annual deductibles and including a health savings account option."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

CALL OF THE SENATE

Senator Berglin imposed a call of the Senate for the balance of the proceedings on S.F. No. 2171. The Sergeant at Arms was instructed to bring in the absent members.

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

The roll was called, and there were yeas 26 and nays 39, as follows:

Those who voted in the affirmative were:

Day	Gerlach	Johnson	Langseth	Neuville
Dille	Gimse	Jungbauer	Limmer	Olson, G.
Fischbach	Hann	Koch	Michel	Ortman
Frederickson	Ingebrigtsen	Koering	Moua	Pariseau

Robling
Rosen

Senjem
Vandever

Vickerman
Wergin

Those who voted in the negative were:

Anderson
Bakk
Berglin
Betzold
Bonoff
Carlson
Chaudhary
Clark

Cohen
Dibble
Doll
Erickson Ropes
Foley
Higgins
Kubly
Latz

Lourey
Lynch
Marty
Metzen
Murphy
Olseen
Olson, M.
Pappas

Pogemiller
Prettner Solon
Rest
Rummel
Saltzman
Saxhaug
Scheid
Sheran

Skoe
Skogen
Sparks
Stumpf
Tomassoni
Torres Ray
Wiger

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

Senator Hann moved to amend S.F. No. 2171 as follows:

Page 215, after line 10, insert:

"Section 1. Minnesota Statutes 2006, section 62A.02, is amended by adding a subdivision to read:

Subd. 8. **Right to purchase health coverage approved in other state.** (a) Notwithstanding any other law of this state to the contrary, any resident of this state and any employer that employs residents of this state may purchase a health plan that has not been approved by the commissioner, if the health plan is permitted to be sold in any other state.

(b) Notwithstanding any other law of this state to the contrary, any insurance company, whether domestic, foreign, or alien, that is permitted to offer, sell, issue, or renew a health plan in any other state under the laws of that state, may do so with respect to that health plan in this state. The insurance company need not have a certificate of authority, license, or other authorization from the commissioner to do business in this state. This paragraph does not exempt the insurance company from compliance with chapter 303, relating to foreign business entities.

(c) Notwithstanding any other law of this state to the contrary, any insurance agent licensed or otherwise permitted to sell health plans in this state, or in a state in which the health plan is permitted to be sold, may sell to a resident of this state or to an employer that employs residents of this state any health plan permitted to be sold under paragraph (a) or (b), and is not, in connection with that transaction, subject to the laws of this state regulating insurance agents.

(d) Notwithstanding any other law of this state to the contrary, an insurance company and a health plan offered, issued, sold, or renewed by the insurance company under authority of this subdivision:

(1) are not subject to the authority of the commissioner in any respect, and the insurance company need not provide any filing or notification to the commissioner;

(2) need not comply with any law of this state relating to insurance companies or health plans, including but not limited to chapters 45 and 60A to 72C; and

(3) are subject to the tax laws of this state, including chapter 297I, on the same basis as other insurance companies doing business in this state.

(e) For purposes of this subdivision:

(1) "commissioner" means the commissioner of commerce or the commissioner of health, as appropriate, depending upon which commissioner would have authority over the insurance company or health plan if it were subject to the laws of this state;

(2) "health plan" has the meaning given in section 62A.011, subdivision 3, but including coverage described in clause (10) of that subdivision, and without regard to the references in that subdivision to the entities providing the health plan being licensed in or operating under the laws of this state; and

(3) "insurance company," "domestic," "alien," "foreign," and "state" have the meanings given in section 60A.02. "Insurance company" includes a health maintenance organization or health service plan corporation, whether nonprofit or for profit.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Berglin questioned whether the amendment was germane.

The President ruled that the amendment was germane.

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

The roll was called, and there were yeas 19 and nays 43, as follows:

Those who voted in the affirmative were:

Dille	Ingebrigtsen	Limmer	Ortman	Senjem
Fischbach	Johnson	Michel	Pariseau	Vanderveer
Gerlach	Jungbauer	Neuville	Robling	Wergin
Hann	Koch	Olson, G.	Rosen	

Those who voted in the negative were:

Anderson	Dibble	Lourey	Pogemiller	Skogen
Bakk	Doll	Lynch	Prettner Solon	Sparks
Berglin	Erickson Ropes	Marty	Rest	Stumpf
Betzold	Foley	Metzen	Rummel	Tomassoni
Bonoff	Frederickson	Moua	Saltzman	Torres Ray
Carlson	Higgins	Murphy	Saxhaug	Vickerman
Chaudhary	Kubly	Olseen	Scheid	Wiger
Clark	Langseth	Olson, M.	Sheran	
Cohen	Latz	Pappas	Skoe	

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

Senator Limmer moved to amend S.F. No. 2171 as follows:

Page 216, line 20, after the period, insert "Written, informed consent shall be required for placement of an individual's medical data into an interoperable electronic health records system."

The motion prevailed. So the amendment was adopted.

Senator Fischbach moved to amend S.F. No. 2171 as follows:

Page 124, line 28, delete "This"

Page 124, delete lines 29 and 30

Page 260, lines 4 and 5, delete "\$500,000" and insert "\$160,000"

Page 260, line 9, delete "\$115,000" and insert "\$33,000" and delete "\$115,000" and insert "\$34,000"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 25 and nays 38, as follows:

Those who voted in the affirmative were:

Clark	Gerlach	Jungbauer	Neuville	Rosen
Day	Gimse	Koch	Olson, G.	Senjem
Dille	Hann	Koering	Ortman	Vandever
Fischbach	Ingebrigtsen	Limmer	Pariseau	Vickerman
Frederickson	Johnson	Michel	Robling	Wergin

Those who voted in the negative were:

Anderson	Dibble	Marty	Prettner Solon	Skogen
Bakk	Doll	Metzen	Rest	Sparks
Berglin	Foley	Moua	Rummel	Stumpf
Betzold	Higgins	Murphy	Saltzman	Tomassoni
Bonoff	Kubly	Olseen	Saxhaug	Torres Ray
Carlson	Latz	Olson, M.	Scheid	Wiger
Chaudhary	Lourey	Pappas	Sheran	
Cohen	Lynch	Pogemiller	Skoe	

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

Senator Wergin moved to amend S.F. No. 2171 as follows:

Page 85, line 32, before "Effective" insert "Within the limits of appropriations specifically for this purpose,"

Page 240, line 28, delete everything after "(2)"

Page 240, line 29, delete "fund and"

Page 255, after line 8, insert:

"Positive Abortion Alternatives. Of the general fund appropriations, \$1,142,000 the first year and \$1,200,000 the second year is for positive abortion alternatives grants under Minnesota Statutes, section 145.4235. This appropriation shall become part of base level funding for the commissioner."

The question was taken on the adoption of the amendment.

Senator Pogemiller moved that those not voting be excused from voting. The motion did not prevail.

The roll was called, and there were yeas 31 and nays 34, as follows:

Those who voted in the affirmative were:

Day	Ingebrigtsen	Limmer	Rosen	Vandevveer
Dille	Johnson	Neuville	Saltzman	Vickerman
Fischbach	Jungbauer	Olson, G.	Senjem	Wergin
Frederickson	Koch	Olson, M.	Skoe	
Gerlach	Koering	Ortman	Skogen	
Gimse	Kubly	Pariseau	Sparks	
Hann	Langseth	Robling	Stumpf	

Those who voted in the negative were:

Anderson	Clark	Latz	Murphy	Saxhaug
Bakk	Cohen	Lourey	Olseen	Scheid
Berglin	Dibble	Lynch	Pappas	Sheran
Betzold	Doll	Marty	Pogemiller	Tomassoni
Bonoff	Erickson Ropes	Metzen	Prettner Solon	Torres Ray
Carlson	Foley	Michel	Rest	Wiger
Chaudhary	Higgins	Moua	Rummel	

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

Senator Robling moved to amend S.F. No. 2171 as follows:

Page 240, line 28, delete everything after "(2)"

Page 240, line 29, delete "fund and"

Page 255, after line 8, insert:

"Positive Abortion Alternatives. Of the general fund appropriation, \$1,250,000 each year is for positive abortion alternatives grants under Minnesota Statutes, section 145.4235. \$700,000 of this appropriation shall become part of base level funding for the commissioner."

Page 260, line 4, delete everything after "appropriation,"

Page 260, delete lines 5 to 10 and insert "\$65,000 each year are for department activities"

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 32 and nays 33, as follows:

Those who voted in the affirmative were:

Day	Ingebrigtsen	Limmer	Robling	Stumpf
Dille	Johnson	Michel	Rosen	Vandevveer
Fischbach	Jungbauer	Neuville	Saltzman	Vickerman
Frederickson	Koch	Olson, G.	Senjem	Wergin
Gerlach	Koering	Olson, M.	Skoe	
Gimse	Kubly	Ortman	Skogen	
Hann	Langseth	Pariseau	Sparks	

Those who voted in the negative were:

Anderson	Bakk	Berglin	Betzold	Bonoff
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Carlson	Erickson Ropes	Marty	Pogemiller	Sheran
Chaudhary	Foley	Metzen	Prettner Solon	Tomassoni
Clark	Higgins	Moua	Rest	Torres Ray
Cohen	Latz	Murphy	Rummel	Wiger
Dibble	Lourey	Olseen	Saxhaug	
Doll	Lynch	Pappas	Scheid	

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

Senator Neuville moved to amend S.F. No. 2171 as follows:

Page 110, after line 10, insert:

"Sec. 58. **PROHIBITION ON USE OF STATE FUNDS.**

Subdivision 1. **Use of funds.** Funding for state-sponsored health programs shall not be used for funding abortions, except to the extent necessary for continued participation in a federal program or to protect the health of the mother. For purposes of this section, abortion has the meaning given in Minnesota Statutes, section 144.343, subdivision 3, and "health of the mother" means protecting the life of the mother, preventing permanent or irreversible physical harm to the mother.

Subd. 2. **Severability.** If any one or more provision, section, subdivision, sentence, clause, phrase, or word of this section or the application thereof to any person or circumstance is found to be unconstitutional, the same is hereby declared to be severable and the balance of this section shall remain effective notwithstanding such unconstitutionality. The legislature intends that it would have passed this section, and each provision, section, subdivision, sentence, clause, phrase, or word thereof irrespective of the fact that any one provision, section, subdivision, sentence, clause, phrase, or word be declared unconstitutional.

Subd. 3. **Supreme Court jurisdiction.** The Minnesota Supreme Court has original jurisdiction over an action challenging the constitutionality of this section and shall expedite the resolution of the action."

Page 254, after line 33, insert:

"**Abortion Litigation.** Of the general fund appropriation, \$113,000 the first year is to the commissioner for the costs of litigation related to the prohibition on using state funds for abortions. This is a onetime appropriation."

Page 260, line 4, delete "\$500,000" and insert "\$410,000"

Page 260, line 9, delete the first "\$115,000" and insert "\$92,000"

Correct the subdivision and section totals and the appropriations by fund

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 26 and nays 38, as follows:

Those who voted in the affirmative were:

Day	Hann	Kubly	Robling	Vickerman
Dille	Ingebrigtsen	Limmer	Rosen	Wergin
Fischbach	Johnson	Neuville	Senjem	
Frederickson	Jungbauer	Olson, G.	Skogen	
Gerlach	Koch	Ortman	Stumpf	
Gimse	Koering	Pariseau	Vandever	

Those who voted in the negative were:

Anderson	Cohen	Lynch	Pappas	Sheran
Bakk	Dibble	Marty	Pogemiller	Skoe
Berglin	Doll	Metzen	Prettner Solon	Sparks
Betzold	Foley	Michel	Rest	Tomassoni
Bonoff	Higgins	Moua	Rummel	Torres Ray
Carlson	Langseth	Murphy	Saltzman	Wiger
Chaudhary	Latz	Olseen	Saxhaug	
Clark	Lourey	Olson, M.	Scheid	

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

Senator Neuville moved to amend S.F. No. 2171 as follows:

Page 220, delete everything after "2006," and insert "sections 62A.301 and 144.343, subdivision 1, are repealed."

Amend the title accordingly

Senator Neuville moved to amend the third Neuville amendment to S.F. No. 2171 as follows:

Page 1, line 2, after "220," insert "line 32,"

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

The question recurred on the third Neuville amendment, as amended.

The roll was called, and there were yeas 23 and nays 42, as follows:

Those who voted in the affirmative were:

Day	Gimse	Koch	Ortman	Vandever
Dille	Hann	Koering	Pariseau	Vickerman
Fischbach	Ingebrigtsen	Limmer	Robling	Wergin
Frederickson	Johnson	Neuville	Rosen	
Gerlach	Jungbauer	Olson, G.	Senjem	

Those who voted in the negative were:

Anderson	Dibble	Lynch	Pogemiller	Skogen
Bakk	Doll	Marty	Prettner Solon	Sparks
Berglin	Erickson Ropes	Metzen	Rest	Stumpf
Betzold	Foley	Michel	Rummel	Tomassoni
Bonoff	Higgins	Moua	Saltzman	Torres Ray
Carlson	Kubly	Murphy	Saxhaug	Wiger
Chaudhary	Langseth	Olseen	Scheid	
Clark	Latz	Olson, M.	Sheran	
Cohen	Lourey	Pappas	Skoe	

The motion did not prevail. So the third Neuville amendment, as amended, was not adopted.

Senator Rosen moved to amend S.F. No. 2171 as follows:

Page 124, line 28, delete "2.70" and insert "3.12"

Page 140, lines 7 and 9, delete "2.83" and insert "3.25"

Page 149, line 19, delete "2.83" and insert "3.25" and delete "2.83" and insert "3.25"

Page 152, lines 22 and 23, delete "2.83" and insert "3.25"

Page 232, delete line 22 and insert:

" <u>General</u>	<u>65,256,000</u>	<u>80,858,000</u> "
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Page 234, delete line 6 and insert:

" <u>General</u>	<u>68,828,000</u>	<u>69,497,000</u> "
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Page 235, delete line 11 and insert:

" <u>General</u>	<u>90,954,000</u>	<u>98,531,000</u> "
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Page 237, delete line 14 and insert:

" <u>General</u>	<u>742,873,000</u>	<u>843,948,000</u> "
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Page 237, delete line 18 and insert:

" <u>General</u>	<u>1,002,375,000</u>	<u>1,114,424,000</u> "
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Page 237, delete line 30 and insert:

" <u>General</u>	<u>239,091,000</u>	<u>251,666,000</u> "
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Page 241, delete line 12 and insert:

" <u>General</u>	<u>14,318,000</u>	<u>14,807,000</u> "
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Page 242, delete line 6 and insert:

" <u>General</u>	<u>50,114,000</u>	<u>52,364,000</u> "
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Page 242, delete line 18 and insert:

" <u>General</u>	<u>498,152,000</u>	<u>519,863,000</u> "
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Page 243, delete line 30 and insert:

" <u>General</u>	<u>963,953,000</u>	<u>1,089,668,000</u> "
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Page 243, delete line 33 and insert:

Those who voted in the affirmative were:

Day	Hann	Koering	Ortman	Vandev eer
Fischbach	Ingebrigtsen	Kubly	Pariseau	Vickerman
Frederickson	Johnson	Limmer	Robling	Wergin
Gerlach	Jungbauer	Neuville	Rosen	
Gimse	Koch	Olson, G.	Stumpf	

Those who voted in the negative were:

Anderson	Cohen	Lourey	Pappas	Senjem
Bakk	Dibble	Lynch	Pogemiller	Sheran
Berglin	Doll	Metzen	Prettner Solon	Skoe
Betzold	Erickson Ropes	Michel	Rest	Skogen
Bonoff	Foley	Moua	Rummel	Sparks
Carlson	Higgins	Murphy	Saltzman	Tomassoni
Chaudhary	Langseth	Olseen	Saxhaug	Torres Ray
Clark	Latz	Olson, M.	Scheid	Wiger

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

Senator Ingebrigtsen moved to amend S.F. No. 2171 as follows:

Page 96, delete section 36

Page 97, line 27, delete the new language

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

Senator Hann moved to amend S.F. No. 2171 as follows:

Page 136, after line 26, insert:

"Sec. 52. Minnesota Statutes 2006, section 256B.48, subdivision 1, is amended to read:

Subdivision 1. **Prohibited practices.** A nursing facility is not eligible to receive medical assistance payments unless it refrains from all of the following:

(a) Charging private paying residents rates for similar services which exceed those which are approved by the state agency for medical assistance recipients as determined by the prospective desk audit rate, except under the following circumstances:

(1) the nursing facility may ~~(1)~~ (i) charge private paying residents a higher rate for a private room; and ~~(2)~~ (ii) charge for special services which are not included in the daily rate if medical assistance residents are charged separately at the same rate for the same services in addition to the daily rate paid by the commissioner;

(2) effective July 1, 2007, nursing facilities may charge private paying residents rates up to two percent higher than the allowable payment rate in effect on June 30, 2007, plus an adjustment equal to any other rate increase provided in law, for the RUGs group currently assigned to the resident;

(3) effective July 1, 2008, nursing facilities may charge private paying residents rates up to four percent higher than the allowable payment rate in effect on June 30, 2007, plus an adjustment equal to any other rate increase provided in law, for the RUGs group currently assigned to the resident;

(4) effective July 1, 2009, nursing facilities may charge private paying residents rates up to six percent higher than the allowable payment rate in effect on June 30, 2007, plus an adjustment equal

to any other rate increase provided in law, for the RUGs group currently assigned to the resident; and

(5) effective July 1, 2010, nursing facilities may charge private paying residents rates up to eight percent higher than the allowable payment rate in effect on June 30, 2007, plus an adjustment equal to any other rate increase provided in law, for the RUGs group currently assigned to the resident.

For purposes of this subdivision, the allowable payment rate under section 256B.434 includes adjustments for enhanced rates during the first 30 days under section 256B.431, subdivision 32, and private room differentials under clause (1), item (i), and Minnesota Rules, part 9549.0060, subpart 11, item C. Nothing in this section precludes a nursing facility from charging a rate allowable under the facility's single room election option under Minnesota Rules, part 9549.0060, subpart 11. Services covered by the payment rate must be the same regardless of payment source. Special services, if offered, must be available to all residents in all areas of the nursing facility and charged separately at the same rate. Residents are free to select or decline special services. Special services must not include services which must be provided by the nursing facility in order to comply with licensure or certification standards and that if not provided would result in a deficiency or violation by the nursing facility. Services beyond those required to comply with licensure or certification standards must not be charged separately as a special service if they were included in the payment rate for the previous reporting year. A nursing facility that charges a private paying resident a rate in violation of this clause is subject to an action by the state of Minnesota or any of its subdivisions or agencies for civil damages. A private paying resident or the resident's legal representative has a cause of action for civil damages against a nursing facility that charges the resident rates in violation of this clause. The damages awarded shall include three times the payments that result from the violation, together with costs and disbursements, including reasonable attorneys' fees or their equivalent. A private paying resident or the resident's legal representative, the state, subdivision or agency, or a nursing facility may request a hearing to determine the allowed rate or rates at issue in the cause of action. Within 15 calendar days after receiving a request for such a hearing, the commissioner shall request assignment of an administrative law judge under sections 14.48 to 14.56 to conduct the hearing as soon as possible or according to agreement by the parties. The administrative law judge shall issue a report within 15 calendar days following the close of the hearing. The prohibition set forth in this clause shall not apply to facilities licensed as boarding care facilities which are not certified as skilled or intermediate care facilities level I or II for reimbursement through medical assistance.

(b) Effective July 1, 2011, paragraph (a) no longer applies, except that special services, if offered, must be available to all residents of the nursing facility and charged separately at the same rate. Residents are free to select or decline special services. Special services must not include services which must be provided by the nursing facility in order to comply with licensure or certification standards and that, if not provided, would result in a deficiency or violation by the nursing facility.

(c) (1) Charging, soliciting, accepting, or receiving from an applicant for admission to the facility, or from anyone acting in behalf of the applicant, as a condition of admission, expediting the admission, or as a requirement for the individual's continued stay, any fee, deposit, gift, money, donation, or other consideration not otherwise required as payment under the state plan. For residents on medical assistance, medical assistance payment according to the state plan must be accepted as payment in full for continued stay, except where otherwise provided for under statute;

(2) requiring an individual, or anyone acting in behalf of the individual, to loan any money to

the nursing facility;

(3) requiring an individual, or anyone acting in behalf of the individual, to promise to leave all or part of the individual's estate to the facility; or

(4) requiring a third-party guarantee of payment to the facility as a condition of admission, expedited admission, or continued stay in the facility.

Nothing in this paragraph would prohibit discharge for nonpayment of services in accordance with state and federal regulations.

~~(e)~~ (d) Requiring any resident of the nursing facility to utilize a vendor of health care services chosen by the nursing facility. A nursing facility may require a resident to use pharmacies that utilize unit dose packing systems approved by the Minnesota Board of Pharmacy, and may require a resident to use pharmacies that are able to meet the federal regulations for safe and timely administration of medications such as systems with specific number of doses, prompt delivery of medications, or access to medications on a 24-hour basis. Notwithstanding the provisions of this paragraph, nursing facilities shall not restrict a resident's choice of pharmacy because the pharmacy utilizes a specific system of unit dose drug packing.

~~(d)~~ (e) Providing differential treatment on the basis of status with regard to public assistance.

~~(e)~~ (f) Discriminating in admissions, services offered, or room assignment on the basis of status with regard to public assistance ~~or refusal to purchase special services~~. Discrimination in admissions ~~discrimination~~ shall include, but is not limited to:

~~(1) basing admissions decisions upon assurance by the applicant to the nursing facility, or the applicant's guardian or conservator, that the applicant is neither eligible for nor will seek information or assurances regarding current or future eligibility for public assistance for payment of nursing facility care costs; and~~

~~(2) engaging in preferential selection from waiting lists based on an applicant's ability to pay privately or an applicant's refusal to pay for a special service.~~

The collection and use by a nursing facility of financial information of any applicant pursuant to a preadmission screening program established by law shall not raise an inference that the nursing facility is utilizing that information for any purpose prohibited by this paragraph.

~~(f)~~ (g) Requiring any vendor of medical care as defined by section 256B.02, subdivision 7, who is reimbursed by medical assistance under a separate fee schedule, to pay any amount based on utilization or service levels or any portion of the vendor's fee to the nursing facility except as payment for renting or leasing space or equipment or purchasing support services from the nursing facility as limited by section 256B.433. All agreements must be disclosed to the commissioner upon request of the commissioner. Nursing facilities and vendors of ancillary services that are found to be in violation of this provision shall each be subject to an action by the state of Minnesota or any of its subdivisions or agencies for treble civil damages on the portion of the fee in excess of that allowed by this provision and section 256B.433. Damages awarded must include three times the excess payments together with costs and disbursements including reasonable attorney's fees or their equivalent.

~~(g)~~ (h) Refusing, for more than 24 hours, to accept a resident returning to the same bed or a bed

certified for the same level of care, in accordance with a physician's order authorizing transfer, after receiving inpatient hospital services.

(i) For a period not to exceed 180 days, the commissioner may continue to make medical assistance payments to a nursing facility or boarding care home which is in violation of this section if extreme hardship to the residents would result. In these cases the commissioner shall issue an order requiring the nursing facility to correct the violation. The nursing facility shall have 20 days from its receipt of the order to correct the violation. If the violation is not corrected within the 20-day period the commissioner may reduce the payment rate to the nursing facility by up to 20 percent. The amount of the payment rate reduction shall be related to the severity of the violation and shall remain in effect until the violation is corrected. The nursing facility or boarding care home may appeal the commissioner's action pursuant to the provisions of chapter 14 pertaining to contested cases. An appeal shall be considered timely if written notice of appeal is received by the commissioner within 20 days of notice of the commissioner's proposed action.

In the event that the commissioner determines that a nursing facility is not eligible for reimbursement for a resident who is eligible for medical assistance, the commissioner may authorize the nursing facility to receive reimbursement on a temporary basis until the resident can be relocated to a participating nursing facility.

Certified beds in facilities which do not allow medical assistance intake on July 1, 1984, or after shall be deemed to be decertified for purposes of section 144A.071 only."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 8 and nays 56, as follows:

Those who voted in the affirmative were:

Dille	Hann	Jungbauer	Ortman
Fischbach	Ingebrigtsen	Michel	Vandever

Those who voted in the negative were:

Anderson	Erickson Ropes	Limmer	Pogemiller	Skogen
Bakk	Foley	Lourey	Prettner Solon	Sparks
Berglin	Frederickson	Lynch	Rest	Stumpf
Betzold	Gerlach	Metzen	Robling	Tomassoni
Bonoff	Gimse	Moua	Rosen	Torres Ray
Carlson	Higgins	Murphy	Rummel	Vickerman
Chaudhary	Johnson	Neuville	Saltzman	Wergin
Clark	Koch	Olseen	Saxhaug	Wiger
Cohen	Koering	Olson, G.	Scheid	
Day	Kubly	Olson, M.	Senjem	
Dibble	Langseth	Pappas	Sheran	
Doll	Latz	Pariseau	Skoe	

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

Senator Hann moved to amend S.F. No. 2171 as follows:

Page 34, after line 30, insert:

"Sec. 24. Minnesota Statutes 2006, section 259.29, subdivision 2, is amended to read:

Subd. 2. **Placement with relative ~~or~~, friend, or married couple.** The authorized child-placing agency shall consider placement, consistent with the child's best interests and in the following order, with (1) a relative or relatives of the child, ~~or~~ (2) an important friend with whom the child has resided or had significant contact, or (3) a married couple. In implementing this section, an authorized child-placing agency may disclose private or confidential data, as defined in section 13.02, to relatives of the child for the purpose of locating a suitable adoptive home. The agency shall disclose only data that is necessary to facilitate implementing the preference.

If the child's birth parent or parents explicitly request that placement with relatives or important friends not be considered, the authorized child-placing agency shall honor that request consistent with the best interests of the child.

If the child's birth parent or parents express a preference for placing the child in an adoptive home of the same or a similar religious background to that of the birth parent or parents, the agency shall place the child with a family that meets the birth parent's religious preference.

This subdivision does not affect the Indian Child Welfare Act, United States Code, title 25, sections 1901 to 1923, and the Minnesota Indian Family Preservation Act, sections 260.751 to 260.835."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 26 and nays 39, as follows:

Those who voted in the affirmative were:

Day	Gimse	Limmer	Robling	Vickerman
Dille	Hann	Michel	Rosen	Wergin
Doll	Ingebrigtsen	Neuville	Saltzman	
Fischbach	Johnson	Olson, G.	Senjem	
Frederickson	Jungbauer	Ortman	Sheran	
Gerlach	Koch	Pariseau	Vandever	

Those who voted in the negative were:

Anderson	Cohen	Latz	Olson, M.	Skoe
Bakk	Dibble	Lourey	Pappas	Skogen
Berglin	Erickson Ropes	Lynch	Pogemiller	Sparks
Betzold	Foley	Marty	Prettner Solon	Stumpf
Bonoff	Higgins	Metzen	Rest	Tomassoni
Carlson	Koering	Moua	Rummel	Torres Ray
Chaudhary	Kubly	Murphy	Saxhaug	Wiger
Clark	Langseth	Olseen	Scheid	

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

Senator Hann moved to amend S.F. No. 2171 as follows:

Page 200, line 14, before "Testing" insert "With the written consent of a parent,"

Page 256, line 7, after the period, insert "Informed, written consent of a parent is required."

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

S.F. No. 2171 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 42 and nays 23, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Lynch	Prettner Solon	Sparks
Bakk	Doll	Marty	Rest	Stumpf
Berglin	Erickson Ropes	Metzen	Rummel	Tomassoni
Betzold	Foley	Moua	Saltzman	Torres Ray
Bonoff	Higgins	Murphy	Saxhaug	Vickerman
Carlson	Kubly	Olseen	Scheid	Wiger
Chaudhary	Langseth	Olson, M.	Sheran	
Clark	Latz	Pappas	Skoe	
Cohen	Lourey	Pogemiller	Skogen	

Those who voted in the negative were:

Day	Gimse	Koch	Olson, G.	Senjem
Dille	Hann	Koering	Ortman	Vandever
Fischbach	Ingebrigtsen	Limmer	Pariseau	Wergin
Frederickson	Johnson	Michel	Robling	
Gerlach	Jungbauer	Neuville	Rosen	

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

MOTIONS AND RESOLUTIONS - CONTINUED

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

REPORTS OF COMMITTEES

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

Senator Cohen from the Committee on Finance, to which was referred

S.F. No. 406: A bill for an act relating to education finance; updating appropriations for adult basic education; appropriating money; amending Laws 2005, First Special Session chapter 5, article 9, section 4, subdivision 2.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

EARLY CHILDHOOD THROUGH GRADE 12 EDUCATION

Section 1. SUMMARY OF APPROPRIATIONS.

The amounts shown in this section summarize direct appropriations, by fund, made in this article.

	<u>2008</u>	<u>2009</u>	<u>Total</u>
General	\$ 95,390,000	\$ 255,347,000	\$ 350,737,000

Sec. 2. [124D.332] PREKINDERGARTEN EDUCATION ACT.

Subdivision 1. Allowance; establishment; purpose. A prekindergarten education allowance finance system is established to provide choices for families of young children, close the achievement gap in kindergarten through grade 12 public education; improve learning preparedness, and promote healthy development and school readiness through quality early care and education settings.

Subd. 2. Eligibility; allowance amount. A parent or legal guardian of a child domiciled in this state who will be at least age three and has not reached the age of five on August 31 is eligible to receive a prekindergarten education allowance of \$200 for each eligible child. In addition, the prekindergarten education allowance for each eligible child must be increased according to the following:

<u>Federal Adjusted Gross Income</u>	<u>Additional Prekindergarten Allowance Amount</u>
<u>Under \$10,000</u>	<u>\$3,800</u>
<u>\$10,000 - \$19,999</u>	<u>\$3,300</u>
<u>\$20,000 - \$29,999</u>	<u>\$2,800</u>
<u>\$30,000 - \$39,999</u>	<u>\$1,800</u>
<u>\$40,000 - \$49,999</u>	<u>\$800</u>
<u>\$50,000 - \$74,999</u>	<u>\$300</u>
<u>\$75,000 - \$99,999</u>	<u>\$0</u>
<u>\$100,000 - \$149,999</u>	<u>\$0</u>
<u>\$150,000 - \$249,999</u>	<u>\$0</u>
<u>\$250,000 and over</u>	<u>\$0</u>

As used in this section, "federal adjusted gross income" means the federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986 of the parent or legal guardian of the child who has physical custody of the child for more than half the tax year. Federal adjusted gross income is calculated for the purposes of this section as the tax year beginning two years before the year in which the eligible parent or legal guardian is notified of the prekindergarten allowance. For the purposes of this section a custodial parent's adjusted gross income includes the adjusted gross income of the parent's spouse if the parent is considered to be married for income tax purposes under section 7703 of the Internal Revenue Code of 1986.

Subd. 3. Commissioner of education duties. (a) The commissioner of education shall review

the data provided by the Department of Revenue under section 270C.135. By January 31, 2008, and each subsequent year, the commissioner shall submit the prekindergarten education allowance to each eligible recipient. The commissioner shall notify the parent or legal guardian of an eligible child of the amount of the prekindergarten education allowance available. Notification must include instructions on how to use the allowance to obtain eligible services and a list of approved providers in the area.

(b) The commissioner of education must align the data provided by the Department of Revenue with the applications received according to subdivision 4 to ensure that persons eligible to receive a prekindergarten education allowance are not counted more than once. In the event that an eligible recipient is included in the Department of Revenue data and the alternative process under subdivision 4, the commissioner shall use the data from the Department of Revenue for the purposes of establishing prekindergarten education allowance eligibility and amount.

(c) The commissioner shall establish a process to transfer the prekindergarten education allowance to recipients. The department may utilize technology to transfer the prekindergarten education allowance through e-mail or other methods to reduce costs. Recipients may not transfer allowances to another person.

(d) Each prekindergarten education allowance shall have the monetary value stated for each eligible child. The prekindergarten allowance may not be used to purchase services until September 1 of the year in which the allowance is issued following its transmission to eligible recipients. In the event that a recipient moves during the year in which a prekindergarten education allowance is valid, the recipient may apply to the department to split or divide the prekindergarten education allowance among two or more providers.

(e) The commissioner must review and approve work plan amendments from federally designated Head Start grantees and school district programs that meet the criteria in subdivision 8 and state the methods in which the grantees or programs will expand or enhance services beyond levels that are funded through specific state or federal appropriations for these purposes.

Subd. 4. **Alternative process.** The commissioner of education, in conjunction with the commissioner of human services, shall establish a method to locate potential recipients who do not file income taxes and inform them of the availability of the prekindergarten education allowance. For the purpose of establishing eligibility for the prekindergarten education allowance, the commissioners of education and human services must accept recipients identified in other public funding eligibility processes, including, but not limited to, public school programs, Head Start, and child care assistance programs. In addition, the commissioners of education and human services must make a sample form available to providers that can be used to determine eligibility of potential recipients. The commissioner must submit a prekindergarten education allowance to an eligible recipient who used the alternative processes.

Subd. 5. **Redeeming an allowance.** (a) A recipient who has received a prekindergarten education allowance may transmit the allowance provided in subdivision 3 or subdivision 4 to pay for services provided to the recipient's eligible dependent child from September 1 of that year through August 31 of the following year in an approved early childhood education and care program or by an approved early childhood education and care provider as defined in subdivision 8.

(b) An eligible provider or program that has provided services under subdivision 7 to an eligible child whose parent or guardian received a prekindergarten education allowance, must

remit the allowance to the Department of Education in a manner determined by the commissioner of education.

Subd. 6. **Payments to approved programs.** The commissioner shall reimburse providers or programs that received a prekindergarten education allowance from a recipient on behalf of an eligible three- or four-year-old child on a reimbursement basis for services provided from September 1 to August 31. An eligible provider that accepts prekindergarten education allowance as a form of payment for services must maintain documentation of services provided and the commissioner must verify information submitted by eligible providers to ensure appropriate services were provided to eligible recipients for whom the early childhood allowances were used as a form of payment.

Subd. 7. **Use of allowance.** The prekindergarten education allowance may only be used for services designed to promote school readiness in an approved quality early childhood care and education setting according to subdivision 8, that are provided to an eligible child who is at least age three and has not yet reached age five on August 31 of the year in which the allowance is issued.

Subd. 8. **Provider certification.** (a) A quality early care and education setting is any service or program that receives a quality rating from the Department of Human Services under the Minnesota Early Learning Foundation quality rating system administered by the Department of Human Services and agrees to accept a prekindergarten education allowance to pay for services. For allowances issued in 2008 only, a provider may satisfy the quality rating system requirements and be deemed eligible to participate in this program if the provider has received a provisional quality rating system approved from either the Department of Education or the Department of Human Services.

(b) For the purposes of receiving a provisional quality rating, a child care program or provider must be approved by the commissioner of human services and a school district or a Head Start program must be approved by the commissioner of education. Programs and providers must apply for approval in the form and manner prescribed by the commissioners. To receive approval, the commissioners must determine that applicants:

(1) use research-based curricula that are aligned with the education standards, under section 120B.021, instruction and child assessment instruments approved by the Departments of Education and Human Services, in consultation with the Minnesota Early Learning Foundation;

(2) provide a program of sufficient intensity and duration to improve the school readiness of participating children;

(3) provide opportunities for parent involvement; and

(4) meet other research-based criteria determined necessary by the commissioners.

(c) Notwithstanding paragraph (b), for allowances issued in 2008 only, Head Start programs meeting Head Start performance standards and accredited child care centers are granted a provisional quality rating for the purposes of receiving a prekindergarten education allowance under this section.

(d) A provider deemed eligible to receive a prekindergarten education allowance under paragraphs (a) to (c) may use the allowance to enhance services above the current quality levels, increase the duration of services provided, or expand the number of children to whom services are provided beyond levels that are funded through specific state or federal appropriations for these

purposes.

(e) For allowances issued in 2008 and 2009 only, when no quality program is available, a recipient may direct the prekindergarten education allowance to a provider or program for school readiness quality improvements that will make the provider or program eligible for a quality rating according to the quality rating system. Allowable expenditures that will increase the capacity of the provider or program to help children to be ready for kindergarten include purchase of curricula and assessment tools, as described in paragraph (b), clause (1), professional development and training on the area of curricula and assessment tools, purchase of materials to improve the learning environment, and other expenditures preapproved by the commissioner of human services for child care providers and the commissioner of education for school district programs.

Subd. 9. **Allowance not income for purposes of other publicly funded programs.** Notwithstanding any law to the contrary, the prekindergarten education allowance issued to the parent or guardian of an eligible child does not count as earned income for purposes of the medical assistance, MinnesotaCare, MFIP, school readiness, Head Start, or child care assistance programs.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. ~~The formula allowance for fiscal year 2005 is \$4,601.~~ The formula allowance for fiscal year 2006 is \$4,783. The formula allowance for fiscal year 2007 ~~and subsequent years~~ is \$4,974. The formula allowance for fiscal year 2008 is \$5,074. The formula allowance for fiscal year 2009 and subsequent years is \$5,176.

Sec. 4. Minnesota Statutes 2006, section 127A.45, subdivision 12, is amended to read:

Subd. 12. **Payment percentage for certain aids.** (a) One hundred percent of the aid for the current fiscal year must be paid for the following aids: reimbursement for enrollment options transportation, according to sections 124D.03, subdivision 8, 124D.09, subdivision 22, and 124D.10; school lunch aid, according to section 124D.111; ~~and~~ hearing impaired support services aid, according to section 124D.57; and prekindergarten education allowance aid, according to section 124D.332.

(b) One hundred percent of the aid for the current fiscal year, based on enrollment in the previous year, must be paid for the first grade preparedness program according to section 124D.081.

Sec. 5. Minnesota Statutes 2006, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. **Disclosure to commissioner of human services.** (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out

the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the Social Security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.711, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under sections 295.50 to 295.59 to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under sections 295.50 to 295.59 to the Centers for Medicare and Medicaid Services section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services necessary to verify income for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2.

(i) The commissioner may disclose information to the commissioner of human services necessary to verify whether applicants or recipients for the Minnesota family investment program, general assistance, food support, and Minnesota supplemental aid program have claimed refundable tax credits under chapter 290 and the property tax refund under chapter 290A, and the amounts of the credits.

(j) The commissioner may disclose information in the time and manner described in section 270C.135 to the commissioner of human services to administer the prekindergarten education allowance under section 124D.332.

Sec. 6. Minnesota Statutes 2006, section 270B.14, is amended by adding a subdivision to read:

Subd. 19. **Disclosure to Department of Education.** The commissioner may disclose information in the time and manner described in section 270C.135 to the commissioner of education to administer the prekindergarten education allowance under section 124D.332.

Sec. 7. **[270C.135] PREKINDERGARTEN EDUCATION ALLOWANCE ELIGIBLE CLAIMANT DATA.**

By October 31, 2008, and each subsequent year, the commissioner must review returns from the most recent year for which data are available and provide to the commissioners of education and human services, the names, addresses, and amount of prekindergarten education allowance due to each eligible claimant under section 124D.332.

Sec. 8. **ALLOWANCE PAYMENT SYSTEM RECOMMENDATION.**

The commissioners of education and human services, in conjunction with the Minnesota Early Learning Foundation and early childhood stakeholders, shall work together to recommend necessary modifications for full implementation of the prekindergarten education allowance finance system. The commissioners of education and human services shall report to the legislature by January 15, 2008, any legislative changes needed to improve the prekindergarten education allowance finance system.

Sec. 9. **2007 DATA TRANSMISSION, DEPARTMENT OF REVENUE.**

By December 15, 2007, the commissioner of revenue must review returns from the most recent year for which data are available and provide to the commissioners of education and human services, the names, addresses, and amount of the prekindergarten education allowance due to each eligible claimant under Minnesota Statutes, section 124D.332.

Sec. 10. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education. These appropriations are added to any appropriations for the same purpose in 2007 S.F. No. 2095 for the fiscal years indicated.

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

\$	<u>93,424,000</u>	<u>.....</u>	<u>2008</u>
\$	<u>199,294,000</u>	<u>.....</u>	<u>2009</u>

The 2008 appropriation includes \$0 for fiscal year 2007 and \$93,424,000 for fiscal year 2008.

The 2009 appropriation includes \$9,800,000 for fiscal year 2008 and \$189,494,000 for fiscal year 2009.

Subd. 3. **Nonpublic pupil aid.** For nonpublic pupil education aid under Minnesota Statutes, sections 123B.40 to 123B.43, and 123B.87:

\$	<u>116,000</u>	<u>.....</u>	<u>2008</u>
\$	<u>243,000</u>	<u>.....</u>	<u>2009</u>

The 2008 appropriation includes \$0 for fiscal year 2007 and \$116,000 for fiscal year 2008.

The 2009 appropriation includes \$14,000 for fiscal year 2008 and \$229,000 for fiscal year 2009.

Subd. 4. **Nonpublic pupil transportation.** For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

\$	<u>384,000</u>	<u>.....</u>	<u>2008</u>
\$	<u>801,000</u>	<u>.....</u>	<u>2009</u>

The 2008 appropriation includes \$0 for fiscal year 2007 and \$384,000 for fiscal year 2008.

The 2009 appropriation includes \$44,000 for fiscal year 2008 and \$757,000 for fiscal year 2009.

Subd. 5. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

\$	<u>26,000</u>	.....	<u>2008</u>
\$	<u>55,000</u>	.....	<u>2009</u>

The 2008 appropriation includes \$0 for fiscal year 2007 and \$26,000 for fiscal year 2008.

The 2009 appropriation includes \$3,000 for fiscal year 2008 and \$52,000 for fiscal year 2009.

Subd. 6. **Prekindergarten allowances.** For the Prekindergarten Education Act under Minnesota Statutes, sections 124D.332 and 270C.135:

\$	<u>53,904,000</u>	<u>2009</u>
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If this appropriation is insufficient, the department shall prorate the allowance reimbursements.

Subd. 7. **Department.** For the administrative costs associated with the Prekindergarten Education Act under Minnesota Statutes, sections 124D.332 and 270C.135:

\$	<u>1,234,000</u>	.....	<u>2008</u>
\$	<u>867,000</u>	.....	<u>2009</u>

Sec. 11. **APPROPRIATIONS; DEPARTMENT OF HUMAN SERVICES.**

Subdivision 1. **Department of Human Services.** The sums indicated in this section are appropriated from the general fund to the Department of Human Services. These appropriations are added to any appropriations for the same purpose in 2007 S.F. No. 2171, if enacted, for the fiscal years indicated.

Subd. 2. **Department.** For the administrative costs associated with the Prekindergarten Education Act under Minnesota Statutes, sections 124D.332 and 270C.135:

\$	<u>206,000</u>	.....	<u>2008</u>
\$	<u>183,000</u>	.....	<u>2009</u>

ARTICLE 2

HIGHER EDUCATION

Section 1. **SUMMARY OF APPROPRIATIONS.**

The amounts shown in this section summarize direct appropriations, by fund, made in this article.

<u>2008</u>	<u>2009</u>	<u>Total</u>
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General	\$	<u>34,500,000</u>	\$	<u>58,500,000</u>	\$	<u>93,000,000</u>
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Sec. 2. BOARD OF TRUSTEES OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES

	\$	<u>18,050,000</u>	\$	<u>33,350,000</u>
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This appropriation is added to the appropriation in 2007 S.F. No. 1989, article 1, section 4, if enacted, and includes amounts for inflation and to limit tuition increases.

The legislature intends that the Board of Trustees will not increase tuition more than three percent in each year of the biennium at all institutions in the system.

The legislature is concerned that Minnesota's ranking among the top five states in the nation with the highest two-year college tuition is a significant barrier to college access that will eventually lead to workforce shortages and economic development challenges. The Board of Trustees is encouraged to explore alternative tuition strategies to limit to less than three percent the tuition increases at community colleges, technical colleges, and consolidated community and technical colleges.

Sec. 3. BOARD OF REGENTS OF THE UNIVERSITY OF MINNESOTA

	\$	<u>9,200,000</u>	\$	<u>17,800,000</u>
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This appropriation is added to the appropriation in 2007 S.F. No. 1989, article 1, section 5, if enacted.

The Board of Regents of the University of Minnesota is encouraged to implement tuition increases that do not exceed five percent in each year of the biennium.

Sec. 4. MINNESOTA OFFICE OF HIGHER EDUCATION

	\$	<u>7,250,000</u>	\$	<u>7,350,000</u>
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This appropriation is added to the appropriation in 2007 S.F. No. 1989, article 1, section 3, if enacted, and includes amounts

to fund the state grant program.

Sec. 5. Minnesota Statutes 2006, section 136A.121, subdivision 5, is amended to read:

Subd. 5. **Grant stipends.** The grant stipend shall be based on a sharing of responsibility for covering the recognized cost of attendance by the applicant, the applicant's family, and the government. The amount of a financial stipend must not exceed a grant applicant's recognized cost of attendance, as defined in subdivision 6, after deducting the following:

(1) the assigned student responsibility of at least 46 45 percent of the cost of attending the institution of the applicant's choosing;

(2) the assigned family responsibility as defined in section 136A.101; and

(3) the amount of a federal Pell grant award for which the grant applicant is eligible.

The minimum financial stipend is \$100 per academic year."

Delete the title and insert:

"A bill for an act relating to education finance; establishing prekindergarten allowances; increasing the basic general education formula allowance; increasing funding for the Board of Trustees of the Minnesota State Colleges and Universities; increasing funding for the Board of Regents of the University of Minnesota; increasing funding for the Office of Higher Education; appropriating money; amending Minnesota Statutes 2006, sections 126C.10, subdivision 2; 127A.45, subdivision 12; 136A.121, subdivision 5; 270B.14, subdivision 1, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 124D; 270C."

And when so amended the bill do pass and be re-referred to the Committee on Taxes. Amendments adopted. Report adopted.

Senator Bakk from the Committee on Taxes, to which was re-referred

S.F. No. 1024: A bill for an act relating to state debt collection; changing certain time limits, collection costs, and referrals relating to debt collection duties of commissioner of revenue; amending Minnesota Statutes 2006, sections 16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 270C.56, subdivision 1; 270C.63, subdivision 9.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1 INCOME TAX

Section 1. Minnesota Statutes 2006, section 256B.0911, subdivision 3, is amended to read:

Subd. 3. **Long-term care consultation team.** (a) A long-term care consultation team shall be established by the county board of commissioners. Each local consultation team shall consist of at least one social worker and at least one public health nurse from their respective county agencies. The board may designate public health or social services as the lead agency for long-term care consultation services. If a county does not have a public health nurse available, it may request

approval from the commissioner to assign a county registered nurse with at least one year experience in home care to participate on the team. Two or more counties may collaborate to establish a joint local consultation team or teams.

(b) The team is responsible for providing long-term care consultation services to all persons located in the county who request the services, regardless of eligibility for Minnesota health care programs.

(c) For applicants for a credit under section 290.0678, the team must certify in accordance with procedures established by the commissioner that the care provided by the caregiver:

(1) qualifies as personal care assistant services under section 256B.0655, subdivision 2;

(2) is needed and provided in person on a daily basis; and

(3) is appropriate based on the service recipient's needs and is likely to delay or avoid transferring the person to an out-of-home placement.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

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

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

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

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(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;

(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; ~~and~~

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19b, as amended by Laws 2007, chapter 1, section 2, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

(7) 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;

(8) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section

172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

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

(12) the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

(13) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2); ~~and~~

(16) international economic development zone income as provided under section 469.325; and

(17) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved AmeriCorps national service program.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

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

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

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

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

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

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

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

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

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

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

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

(12) the amount of 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;

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

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 103 of Public Law 109-222;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) is allowed;

(16) 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;

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 34. Investment tax credit. (a) A credit is allowed against the tax imposed by this chapter for a qualified taxpayer's investment in a qualified new business venture. The credit shall equal 25 percent of the taxpayer's investment made in the business, but shall not exceed the lesser of:

(1) the liability for tax under this chapter, including the applicable alternative minimum tax;

(2) \$25,000 for an individual not part of a partnership; or

(3) \$300,000 for a pass-through entity.

(b) For purposes of this subdivision, a qualified taxpayer means:

(1) an accredited investor within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), whether part of a pass-through entity or not; and

(2) an accredited investor who does not own, control, or hold power to vote 20 percent or more of the outstanding securities of the qualified business venture in which the eligible investment is proposed.

(c) Pass-through entities and individuals may apply to the commissioner of employment and economic development for certification as a qualifying pass-through entity or individual. The application must be in the form and made under the procedures specified by the commissioner of employment and economic development. The commissioner of employment and economic development may provide certificates entitling investors to tax credit under this subdivision, but must not issue a total amount of certificates of more than \$2,000,000. In awarding certificates under this paragraph, the commissioner of employment and economic development shall award them to qualified applicants in the order in which the applications are received.

(d) Each pass-through entity must provide each investor a statement indicating the investor's share of the credit amount certified to the pass-through entity under paragraph (c) based on its share of the pass-through entity's assets. The credit shall not exceed \$25,000 for each individual part of a pass-through entity.

(e) If the amount of the credit under this subdivision or any taxable year exceeds the limitation under paragraph (a), clause (1), the excess shall be a credit carryover to each of the ten succeeding years but shall not exceed \$25,000 for an individual not part of a partnership and \$300,000 for a pass-through entity. The entire amount of the excess unused credit must be carried first to the earliest of the taxable years to which the credit may be carried, and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax less the credit for the taxable year.

(f) Unless otherwise provided under the rules of the Department of Employment and Economic Development, a business is a qualified business venture for purposes of this subdivision only if the business satisfies all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least 51 percent of the business's employees are employed in Minnesota;

(3) the business is engaged in, or is committed to engage in, biotechnology or medical device products or services or biotechnology or medical device-related products and services in manufacturing, agriculture, processing or assembling products, conducting research and development, or developing a new product or business process;

(4) the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(5) the business has less than 100 employees;

(6) the business has not been in operation for more than ten consecutive years;

(7) the business has not received more than \$1,000,000 in investments that have qualified for and received tax credits under this section;

(8) the business has less than \$1,000,000 in annual gross sales receipts;

(9) the business is not a subsidiary or an affiliate of a business that employs more than 100 employees or has gross sales receipts for the previous year of more than \$1,000,000, computed by

aggregating all of the employees and gross sales receipts of the business entities affiliated with the business; and

(10) the business has not received private equity investments of more than \$2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 6. Minnesota Statutes 2006, section 290.0677, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax due under this chapter equal to \$59 for each month or portion thereof that the individual was in active military service in a designated area after September 11, 2001, and before January 1, 2007, while a Minnesota domiciliary.

(b) An individual is allowed a credit against the tax due under this chapter equal to \$120 for each month or portion thereof that the individual was in active military service in a designated area after December 31, 2006, while a Minnesota domiciliary.

(c) For active service performed after September 11, 2001, and before December 31, 2006, the individual may claim the credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

(e)(d) For active service performed after December 31, 2006, the individual may claim the credit for the taxable year in which the active service was performed.

(d) (e) If a Minnesota domiciliary is killed while performing active military service in a designated area, the individual's surviving spouse or dependent child may take the credit in the taxable year of the death. If a Minnesota domiciliary was killed while performing active military service in a designated area between September 11, 2001, and December 31, 2006, the individual's surviving spouse or dependent child may claim this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007. If an individual entitled to the credit died prior to January 1, 2006, the individual's estate or heirs at law, if the individual's probate estate has closed or the estate was not probated, may claim the credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006, except that paragraph (e) is effective retroactively for tax years beginning after December 31, 2005.

Sec. 7. **[290.0681] MINNESOTA HOME CARE CREDIT.**

Subdivision 1. **Definitions.** The terms used in this section have the following meanings unless otherwise provided for by text.

Subd. 2. **Caregiver.** "Caregiver" means an individual who provides unpaid assistance on a daily basis that qualifies as personal care assistant services under section 256B.0655, subdivision 2, to a service recipient in either the individual's principal residence or the service recipient's principal residence.

Subd. 3. **Service recipient.** "Service recipient" means an individual who:

(1) is the spouse, parent, stepparent, sibling, stepsibling, child, stepchild, grandparent, or

stepgrandparent of the taxpayer;

(2) does not reside in a setting licensed or registered by the commissioner of health or human services; and

(3) has been screened by a county long-term care consultation team and determined by that team to be eligible for placement in a nursing home or other long-term care facility.

Subd. 4. **Credit allowed.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to \$200 for each month during the tax year that the individual is a caregiver for a service recipient. The maximum credit in a tax year shall be \$1,200.

(b) The commissioner shall require individuals claiming the credit to certify that the individual and the service recipient satisfy all the requirements of this section.

(c) Only one credit may be claimed for each service recipient in any tax year.

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

Subd. 5. **Credit limitations.** (a) Eligibility for the credit in subdivision 4 is limited to persons with total household income, as defined in section 290A.03, subdivision 5, that does not exceed the maximum household income level eligible for a refund under section 290A.04, subdivision 2.

(b) Eligibility for the credit in subdivision 4 is limited to persons who have been certified by a long-term care consultation team under section 256B.0911, subdivision 3, paragraph (c).

(c) The credit in subdivision 4 is reduced to \$100 for any month in which a service recipient receives more than four hours per day on average of federal, state, or county-funded home care services as specified in section 256B.0651, subdivision 2.

Subd. 6. **Credit refundable.** If the amount of the credit under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess amount to the claimant.

Subd. 7. **Caregiver training.** For each year in which a credit is claimed under this section, the caregiver must participate in at least eight hours of (1) caregiver training, education, or counseling, or (2) caregiver support group sessions.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 8. [290.0683] CITIZENSHIP CREDIT.

Subdivision 1. **Credit.** A taxpayer who is not a dependent as defined in sections 151 and 152 of the Internal Revenue Code is allowed a credit against the tax imposed by this chapter in the amount of qualified citizenship expenses incurred for a qualified individual.

Subd. 2. **Limitations on credit.** The credit is not allowed if the sum of a taxpayer's income and taxpayer's spouse's income, as defined in section 290.067, subdivision 2a, exceeds 200 percent of the federal poverty level. For a taxpayer who is not a Minnesota resident for the entire year, the maximum credit must be allocated using the percentage calculated in section 290.06, subdivision

2c, paragraph (e).

Subd. 3. **Qualified individual.** A "qualified individual" is the taxpayer, the taxpayer's spouse, or an individual who qualifies as a dependent of the taxpayer under sections 151 and 152 of the Internal Revenue Code. These individuals are only qualified individuals from the time the individual submits an I-485 application to register permanent residence or at the time the individual enters the United States on an immigrant visa, to the time the individual becomes a naturalized United States citizen.

Subd. 4. **Qualified citizenship expenses.** Qualified citizenship expenses include:

(1) filing fees, including both application and biometric fingerprint fees, paid to the United States Citizenship and Immigration Services in connection with an N-400 naturalization application for a qualified individual;

(2) amounts paid for enrollment of a qualified individual over the age of 18 at the beginning of the year in an English language class offered by a school district in Minnesota or a school that has been approved as a licensed school by the state of Minnesota; and

(3) any costs for citizenship classes.

Subd. 5. **Credit to be refundable.** If the amount of credit that the taxpayer is eligible to receive under this section exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner of revenue from the general fund.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 9. Minnesota Statutes 2006, section 290.10, is amended to read:

290.10 NONDEDUCTIBLE ITEMS.

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

Subd. 2. **Fines, penalties, damages, and expenses.** (a) No deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any fine, penalty, damages, or expenses paid to:

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

(2) the government of a foreign country; or

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 10. Minnesota Statutes 2006, 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 taxable years beginning after December 31, 2006.

Sec. 11. Minnesota Statutes 2006, section 290.92, is amended by adding a subdivision to read:

Subd. 31. Payments to persons who are not employees. (a) For purposes of this subdivision, "contractor" means a person carrying on a trade or business described in industry code numbers 23 through 238990 of the North American Industry Classification System.

(b) A contractor or a third-party bulk filer acting on behalf of a contractor, who makes payments to an individual, carrying on a trade or business described above as a sole proprietorship, must deduct and withhold two percent of the payment as Minnesota withholding tax when the amount the contractor paid to that individual during the calendar year exceeds \$600.

(c) A payment subject to withholding under this subdivision must be treated as if the payment were a wage paid by an employer to an employee. The requirements in the definitions of "employee" and "employer" in subdivision 1 relating to geographic location apply in determining whether withholding tax applies under this subdivision, but without regard to whether the contractor or the individual otherwise satisfy the definition of an employer or an employee. Each recipient of a payment subject to withholding under this subdivision must furnish the contractor with a statement of the recipient's name, address, and Social Security account number.

EFFECTIVE DATE. This section is effective for payments made after July 31, 2007.

Sec. 12. **AUDIT AND REPORT TO LEGISLATURE.**

The commissioner must conduct a random sample audit of withholdings under Minnesota Statutes, section 290.92, subdivision 31, and returns associated with those withholdings. The commissioner must report on the findings of the audit to the legislature no later than January 15, 2009.

Sec. 13. **TAXPAYER ASSISTANCE SERVICES; APPROPRIATION.**

(a) \$75,000 in fiscal year 2008 and \$75,000 in fiscal year 2009 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" means 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 may include provision of personal representation before the Department of Revenue and Internal Revenue Service.

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2006, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~May 18, 2006~~ December 31, 2006.

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

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19, as amended by Laws 2007, chapter 1, section 1, is amended to read:

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

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

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

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

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

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

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

The Internal Revenue Code of 1986, as amended through ~~May 18~~ December 31, 2006, shall be in effect for taxable years beginning after ~~December 31, 1996, and before January 1, 2006, and for taxable years beginning after December 31, 2006.~~ The Internal Revenue Code of 1986, as amended through December 31, 2006, is in effect for taxable years beginning after December 31, 2005, and before January 1, 2007.

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

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

Sec. 3. Minnesota Statutes 2006, section 290.01 subdivision 31, as amended by Laws 2007,

chapter 1, section 3, is amended to read:

Subd. 31. **Internal Revenue Code.** ~~Unless specifically defined otherwise, for taxable years beginning before January 1, 2006, and after December 31, 2006, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; and for taxable years beginning after December 31, 2005, and before January 1, 2007, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.~~

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

Sec. 4. Minnesota Statutes 2006, section 290A.03, subdivision 15, as amended by Laws 2007, chapter 1, section 4, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2006, and after December 31, 2006, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; and for taxable years beginning after December 31, 2005, and before January 1, 2007, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.~~

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable on or after December 31, 2006, and rent paid on or after December 31, 2005.

Sec. 5. Minnesota Statutes 2006, section 291.005, subdivision 1, is amended to read:

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

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

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

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

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

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

(6) "Situs of property" means, with respect to real property, the state or country in which it is

located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

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

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~May 18, 2006~~ December 31, 2006.

(9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

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

ARTICLE 3

CORPORATE INCOME TAX

Section 1. Minnesota Statutes 2006, 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;

(3) ~~either (i) the average of the percentages of its property and payrolls, including the pro rata share of its unitary partnerships' property and payrolls, assigned to locations outside the United States, where the United States includes the District of Columbia and excludes the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and~~

~~(4) it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it or its partnerships have paid \$1,000,000 for work, performed directly for the domestic corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not require payrolls to be included in the average calculation for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

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

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

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

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

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

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

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

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

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

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (19), (20), (21), and (22);

(12) 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;

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

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code,

for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) is allowed;

(16) 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;

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

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

(19) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(20) except as already included in the taxpayer's taxable income pursuant to clause (19), any interest income and income generated from intangible property received or accrued by a foreign

operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation; and

(22) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, 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, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

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

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

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

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), 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 (15). The resulting delayed depreciation cannot be less than zero; and

(20) 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 amount of the addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 290.191, subdivision 2, is amended to read:

Subd. 2. **Apportionment formula of general application.** (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those

trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

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

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

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	81 85	9.5 7.5	9.5 7.5
2009	84 90	8 5	8 5
2010	87 95	6.5 2.5	6.5 2.5
2011	90	5	5
2012	93	3.5	3.5
2013	96	2	2
2014 and later calendar years	100	0	0

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 290.34, is amended by adding a subdivision to read:

Subd. 3a. Transactions without economic substance. (a) When any person, directly or indirectly, engages in a transaction or series of transactions without economic substance to create a loss or to reduce taxable income or to increase credits allowed in determining Minnesota tax, the commissioner must determine the amount of a taxpayer's taxable income or tax so as to reflect what would have been the taxpayer's taxable income or tax but for the transaction or transactions without economic substance causing the reduction in taxable income or tax.

(b) A transaction has economic substance only if a taxpayer shows by clear and convincing

evidence:

(1) the transaction changes in a meaningful way (apart from federal, state, local, and foreign tax effects) the taxpayer's economic position; and

(2) the taxpayer has a substantial nontax purpose for entering into a transaction and the transaction is a reasonable means of accomplishing the substantial nontax purpose.

A transaction does not have a substantial nontax purpose if it does not have a potential for profit. A transaction has a substantial nontax purpose when the taxpayer reasonably expects that the pretax profit for the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected for tax purposes, and the reasonably expected pretax profit from the transaction exceeds the risk-free rate of return.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 6. **PURPOSE AND EFFECT.**

It is the intent of the legislature that the provisions of this article must not be construed as supplanting any existing Minnesota law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

ARTICLE 4

SALES AND USE TAXES

Section 1. Minnesota Statutes 2006, section 37.13, is amended by adding a subdivision to read:

Subd. 3. **Capital improvements.** The society shall spend the amount of sales tax retained under section 289A.31, subdivision 7, paragraph (f), exclusively to make capital improvements to state-owned buildings and facilities on the State Fairgrounds. The society shall match the amount retained with an equal amount from proceeds from special assessments levied against commercial exhibits, concessions, and rentals, and other special user fees specifically designated for capital improvements.

Sec. 2. Minnesota Statutes 2006, section 168.012, subdivision 1, is amended to read:

Subdivision 1. **Vehicles exempt from tax, fees, or plate display.** (a) The following vehicles are exempt from the provisions of this chapter requiring payment of tax and registration fees, except as provided in subdivision 1c:

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

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

(3) vehicles used solely in driver education programs at nonpublic high schools;

(4) vehicles owned by nonprofit charities and used exclusively to transport disabled persons for

charitable, religious, or educational purposes;

(5) ~~ambulances~~ vehicles owned by ambulance services licensed under section 144E.10, the general appearance of which is unmistakable that are equipped and specifically intended for emergency response or providing ambulance service; and

(6) vehicles owned by a commercial driving school licensed under section 171.34, or an employee of a commercial driving school licensed under section 171.34, and the vehicle is used exclusively for driver education and training.

(b) Vehicles owned by the federal government, municipal fire apparatuses including fire-suppression support vehicles, police patrols, and ambulances, the general appearance of which is unmistakable, are not required to register or display number plates.

(c) Unmarked vehicles used in general police work, liquor investigations, or arson investigations, and passenger automobiles, pickup trucks, and buses owned or operated by the Department of Corrections, must be registered and must display appropriate license number plates, furnished by the registrar at cost. Original and renewal applications for these license plates authorized for use in general police work and for use by the Department of Corrections must be accompanied by a certification signed by the appropriate chief of police if issued to a police vehicle, the appropriate sheriff if issued to a sheriff's vehicle, the commissioner of corrections if issued to a Department of Corrections vehicle, or the appropriate officer in charge if issued to a vehicle of any other law enforcement agency. The certification must be on a form prescribed by the commissioner and state that the vehicle will be used exclusively for a purpose authorized by this section.

(d) Unmarked vehicles used by the Departments of Revenue and Labor and Industry, fraud unit, in conducting seizures or criminal investigations must be registered and must display passenger vehicle classification license number plates, furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of revenue or the commissioner of labor and industry. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the purposes authorized by this section.

(e) Unmarked vehicles used by the Division of Disease Prevention and Control of the Department of Health must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of health. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the Division of Disease Prevention and Control.

(f) Unmarked vehicles used by staff of the Gambling Control Board in gambling investigations and reviews must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the board chair. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the Gambling Control Board.

(g) All other motor vehicles must be registered and display tax-exempt number plates, furnished by the registrar at cost, except as provided in subdivision 1c. All vehicles required to display

tax-exempt number plates must have the name of the state department or political subdivision, nonpublic high school operating a driver education program, or licensed commercial driving school, plainly displayed on both sides of the vehicle; except that each state hospital and institution for persons who are mentally ill and developmentally disabled may have one vehicle without the required identification on the sides of the vehicle, and county social service agencies may have vehicles used for child and vulnerable adult protective services without the required identification on the sides of the vehicle. This identification must be in a color giving contrast with that of the part of the vehicle on which it is placed and must endure throughout the term of the registration. The identification must not be on a removable plate or placard and must be kept clean and visible at all times; except that a removable plate or placard may be utilized on vehicles leased or loaned to a political subdivision or to a nonpublic high school driver education program.

EFFECTIVE DATE. This section is effective for registrations and renewals after June 30, 2007.

Sec. 3. Minnesota Statutes 2006, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 78 ... percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$20,000 or more in the fiscal year ending June 30, 2005; or

(2) \$10,000 or more in the fiscal year ending June 30, 2006, and fiscal years thereafter,

must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 78 ... percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

EFFECTIVE DATE. This section is effective beginning with June 2008 tax liabilities.

Sec. 4. Minnesota Statutes 2006, section 289A.31, subdivision 7, is amended to read:

Subd. 7. **Sales and use tax.** (a) The sales and use tax required to be collected by the retailer under chapter 297A constitutes a debt owed by the retailer to Minnesota, and the sums collected must be held as a special fund in trust for the state of Minnesota.

A retailer who does not maintain a place of business within this state as defined by section 297A.66, subdivision 1, shall not be indebted to Minnesota for amounts of tax that it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the tax.

(b) The use tax required to be paid by a purchaser is a debt owed by the purchaser to Minnesota.

(c) The tax imposed by chapter 297A, and interest and penalties, is a personal debt of the individual required to file a return from the time the liability arises, irrespective of when the time for payment of that liability occurs. The debt is, in the case of the executor or administrator of the estate of a decedent and in the case of a fiduciary, that of the individual in an official or fiduciary capacity unless the individual has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which case the individual is personally liable for the deficiency.

(d) Liability for payment of sales and use taxes includes any responsible person or entity described in the personal liability provisions of section 270C.56.

(e) Any amounts collected, even if erroneously or illegally collected, from a purchaser under a representation that they are taxes imposed under chapter 297A are state funds from the time of collection and must be reported on a return filed with the commissioner.

(f) The tax imposed under chapter 297A on sales of tickets to the premises of or events sponsored by the Minnesota State Agricultural Society and conducted on the State Fairgrounds during the period of annual State Fair may be retained by the Minnesota State Agricultural Society if the funds are used and matched as required under section 37.13, subdivision 3.

EFFECTIVE DATE. This section is effective for sales and purchases after June 30, 2007.

Sec. 5. Minnesota Statutes 2006, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** For payments made after December 31, 2006, if a vendor is required by law to submit an estimation of June sales tax liabilities and 78 ... percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 78 ... percent of the preceding May's liability or 78 ... percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE. This section is effective beginning with June 2008 tax liabilities.

Sec. 6. Minnesota Statutes 2006, section 297A.61, subdivision 3, is amended to read:

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

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by

exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

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

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

- (1) prepared food sold by the retailer;
- (2) soft drinks;
- (3) candy;
- (4) dietary supplements; and

(5) all food sold through vending machines, except milk and water sold in schools. Schools are those defined in section 120A.05. For contracts entered into after the date of final enactment of this act, any savings realized as a result of this exception must be reflected in the revenues apportioned to schools or school districts from vending machine sales.

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

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

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

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

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice;

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

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

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

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

Granting of membership means both onetime initiation fees and periodic membership dues.

Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

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

(6) services as provided in this clause:

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

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

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

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

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

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

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

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in

section 1504(b).

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

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

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

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

EFFECTIVE DATE. This section is effective for purchases and sales made on and after July 1, 2007.

Sec. 7. Minnesota Statutes 2006, section 297A.61, subdivision 12, is amended to read:

Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in agricultural production of tangible personal property intended to be sold ultimately at retail including, but not limited to:

(1) machinery for the preparation, seeding, or cultivation of soil for growing agricultural crops;

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

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

(b) Farm machinery does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, ~~grain bins, fencing material~~, communication equipment, and other farm supplies;

(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles or snow blowers;

(5) lawn mowers except those used in the production of sod for sale, or garden-type tractors or garden tillers; or

(6) machinery, equipment, implements, accessories, and contrivances used directly in the

production of horses not raised for slaughter, fur-bearing animals, or research animals.

EFFECTIVE DATE. This section is effective for sales made after June 30, 2007.

Sec. 8. Minnesota Statutes 2006, section 297A.668, is amended by adding a subdivision to read:

Subd. 8. **Manufactured and modular housing.** (a) Notwithstanding other subdivisions of this section, a sale of a manufactured or modular home shall be sourced to the site where the housing is first set up or installed.

(b) For purposes of this section, "manufactured home" has the meaning given in section 327.31, subdivision 6. For purposes of this section, "modular home" means a building or structural unit that has been substantially manufactured or constructed, in whole or in part, at an off-site location, with the final assembly occurring on-site alone or with other units and attached to a permanent foundation site and occupied as a single-family dwelling. Modular home construction must comply with applicable standards adopted in Minnesota Rules authorized under chapter 16B. A modular home does not include a structure subject to the requirements of the National Manufactured Home Construction and Safety Standards Act of 1974 or a manufactured home.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 9. Minnesota Statutes 2006, section 297A.67, subdivision 28, is amended to read:

Subd. 28. **Ambulance supplies, parts, and equipment.** The following sales to or use by an ambulance service licensed under section 144E.10 are exempt:

- (1) supplies and equipment used to provide medical care; and
- (2) repair and replacement parts for ambulances and vehicles equipped and specifically intended for emergency response.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 10. Minnesota Statutes 2006, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. ~~The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.~~

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;

(4) materials and supplies used to construct and install machinery or equipment;

(5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;

(6) materials used for foundations that support machinery or equipment;

(7) materials used to construct and install special purpose buildings used in the production process;

(8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

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

(c) Capital equipment does not include the following:

(1) motor vehicles taxed under chapter 297B;

(2) machinery or equipment used to receive or store raw materials;

(3) building materials, except for materials included in paragraph (b), clauses (6) and (7);

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;

(5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;

(7) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;

(8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

(9) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery or equipment used to blend petroleum or biodiesel fuel as defined in section 239.77; or

(10) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

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

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

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

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

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

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 11. Minnesota Statutes 2006, section 297A.69, subdivision 3, is amended to read:

Subd. 3. **Repair and replacement parts.** (a) Repair and replacement parts, except tires, used for maintenance or repair of farm machinery, ~~logging equipment~~, and aquaculture production equipment are exempt, if the part replaces a machinery part assigned a specific or generic part number by the manufacturer of the machinery.

(b) Repair and replacement parts, including tires, used for maintenance or repair of logging equipment are exempt if the part replaces a machinery part assigned a specific or generic part number by the manufacturer of the machinery.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 297A.69, subdivision 4, is amended to read:

Subd. 4. **Machinery, equipment, and fencing.** The following machinery, equipment, and fencing is exempt:

(1) farm machinery;

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

(3) fencing used for the containment of ~~farmed cervidae, as defined in section 35.153, subdivision 3~~ livestock as defined in section 17A.03, subdivision 5;

(4) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, aquacultural production equipment, or logging equipment, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; and

(5) aquaculture production equipment.

EFFECTIVE DATE. This section is effective for sales and purchases made after January 1, 2007.

Sec. 13. Minnesota Statutes 2006, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **Regionwide public safety radio communication system; products and services.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to 403.34 403.40, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.~~

Sec. 14. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 40. **Commuter rail; material, supplies, and equipment.** Materials and supplies used

or consumed in, and equipment incorporated into, the construction or improvement of a commuter rail transportation system operated under sections 174.80 to 174.90, are exempt. This exemption includes railroad cars and engines and related equipment.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2006.

Sec. 15. Minnesota Statutes 2006, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the distributor shall remit the actual May liability and 78 ... percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

- (1) 78 ... percent of the actual June liability; or
- (2) 78 ... percent of the preceding May's liability.

EFFECTIVE DATE. This section is effective beginning with June 2008 tax liabilities.

Sec. 16. Minnesota Statutes 2006, section 297G.09, subdivision 9, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the taxpayer shall remit the actual May liability and 78 ... percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

- (1) 78 ... percent of the actual June liability; or
- (2) 78 ... percent of the preceding May liability.

EFFECTIVE DATE. This section is effective beginning with June 2008 tax liabilities.

Sec. 17. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, and Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this subdivision at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount up to \$37,931,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment Convention Center, which include a new arena, the rate of tax under this subdivision shall be reduced by three-quarters of one percent.

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

Sec. 18. Laws 1993, chapter 375, article 9, section 45, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 36, is amended to read:

Subd. 2. **Use of revenues.** (a) Revenues received from taxes authorized by subdivision 1 shall be used by Cook county to pay the cost of collecting the tax and to pay all or a portion of the costs of expanding and improving the health care facility located in the county and known as North Shore hospital. Authorized costs include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the expansion and improvement of North Shore hospital. The total capital expenditures payable from bond proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not exceed \$4,000,000.

(b) Additional revenues received from taxes authorized by subdivision 1 may be used by Cook county to pay all or a portion of the costs of betterment of North Shore care center and providing additional improvements to North Shore hospital. Authorized costs include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the remodeling of North Shore care center and additional improvements to North Shore hospital. The total capital expenditures payable from bond proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not exceed \$2,200,000.

(c) If approved by the voters at a special election held before December 31, 2007, additional revenues received from taxes authorized by subdivision 1 may be used by Cook County to pay for the following projects:

(1) construction and improvements to a county community center and recreation area, including, but not limited to, improvements and additions to the skateboard park, hockey rink, ball fields, community center addition, county parking area, tennis courts, and all associated improvements;

(2) construction and improvement to the Grand Marais pool; and

(3) construction and improvement to the Grand Marais Public Library.

Authorized expenses include, but are not limited to, 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.

Sec. 19. Laws 1993, chapter 375, article 9, section 45, subdivision 3, as amended by Laws 1997, chapter 231, article 7, section 37, is amended to read:

Subd. 3. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivision 1 to Cook county to impose a sales tax shall expire ~~when the principal and interest on any bonds or obligations issued under subdivision 4, paragraph (a), to finance the expansion and improvement of North Shore hospital described in subdivision 2, paragraph (a), have been paid, or at an earlier time as the county shall, by resolution, determine~~ at the later of (1) 20 years, or (2) when the county determines that the amount of revenues received is sufficient to pay for the principal and interest on any bonds or obligations issued to finance the projects in subdivision 2. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the county.

Sec. 20. Laws 1993, chapter 375, article 9, section 45, subdivision 4, as amended by Laws 1997, chapter 231, article 7, section 38, is amended to read:

Subd. 4. **Bonds.** (a) Cook county may issue general obligation bonds in an amount not to exceed \$4,000,000 for the expansion and improvement of North Shore hospital.

(b) Additionally, Cook county may issue general obligation bonds in an amount not to exceed \$2,200,000 for the betterment of North Shore care center and additional improvements to North Shore hospital.

(c) The bonds may be issued without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a property tax to pay them. The debt represented by the bonds shall not be included in computing any debt limitations applicable to Cook county, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the county.

(d) Cook County may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements authorized in subdivision 2, paragraph (c), in an amount that does not exceed \$14,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61. The debt represented by the bonds is not included in computing any debt limitation applicable to the county, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

Sec. 21. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to read:

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a

sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Sec. 22. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of the following city facilities:

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

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

(b) Additional revenues received from taxes authorized by subdivision 1, may be used by the city to pay for the following capital improvement projects: public utilities, including water, sanitary sewer, storm sewer, and electric; sidewalks; bikeways and trails; and parks and recreation.

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

Sec. 23. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to read:

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

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and ~~279.61~~ 275.61.

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

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

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

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

Sec. 24. Laws 2002, chapter 377, article 12, section 16, subdivision 1, is amended to read:

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

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

Sec. 25. Laws 2005, First Special Session chapter 3, article 5, section 39, is amended to read:

Sec. 39. **CITY OF BEMIDJI.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 2002, and at the general election held November 7, 2006, the city of Bemidji may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay for the projects listed in this subdivision:

(1) To pay all or part of the capital or administrative costs of the acquisition, construction, and improvement of parks and trails within the city, as provided for in the city of Bemidji's parks, open space, and trail system plan, adopted by the Bemidji City Council on November 21, 2001. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development of parks and trails within the city of Bemidji.

(2) To pay all or part of the city's share of costs for acquisition, design, and construction of a regional event center, not to exceed \$40,000,000 plus any associated bond costs. Authorized expenses include, but are not limited to, acquiring property, paying demolition and construction expenses, improving associated infrastructure, and purchasing furniture, fixtures, and equipment for the regional event center, and securing and paying debt service on bonds or other obligations issued to finance the regional event center project.

Subd. 3. **Bonds.** (a) Pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$9,826,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of parks and trails as specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt

limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

(b) Pursuant to the approval of the city voters at the general election held on November 7, 2006, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$40,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the regional event center specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires when the Bemidji City Council determines that the amount described in subdivision 3, paragraph (a), has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of parks and trails and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the park and trail improvements under subdivision 3, paragraph (a), plus the earlier of (1) 30 years, or (2) when the city council first determines that the additional revenues received from the extension of the tax equals or exceeds the amount authorized to be spent for the regional event center under subdivision 2, clause (2). Any funds remaining after completion of the ~~park and trail improvements~~ authorized projects and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Bemidji and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. CITY OF CLEARWATER; TAXES AUTHORIZED.

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of Clearwater may impose by ordinance a sales and use tax of up to one-half of one 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. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Clearwater 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.** The proceeds of the tax imposed under this section shall be used to pay for the costs of acquisition, construction, improvement, and development of regional parks and trails, a pedestrian bridge, and land and buildings for a community and recreation center.

Subd. 4. **Bonding authority.** The city of Clearwater may issue bonds in an amount not to exceed \$15,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures

and improvements authorized by the referendum under subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.59, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitation.

Subd. 5. **Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the bonds in subdivision 4 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Clearwater with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. **CITY OF CLOQUET; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as 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 Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects: construction and completion of park improvement projects, including, but not limited to, reconstruction of a community swimming pool complex and all associated improvements; St. Louis River Riverfront improvements; Veteran's Park construction and improvements; construction of a community center; improvements to the Hilltop Park soccer complex, Braun Park baseball complex, Athletic Park, Sunnyside Park, and Cloquet Area Recreation Center/Pine Valley Arena; and development of pedestrian trails within the city.

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

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3

in an amount that does not exceed \$7,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

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

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

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 30 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision 3 first equals or exceeds \$7,500,000, 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 may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 28. **CITY OF CROOKSTON; 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 at the next general election or a special election prior to December 31, 2008, the city of Crookston may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as 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.** Revenues received from taxes authorized by subdivision 1 must be used by the city to pay the cost of collecting the taxes and to pay all or part of the capital costs of construction of a regional recreation center. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these facilities and improvements, and paying debt service on bonds or other obligations issued to finance acquisition, development, and construction of these facilities and improvements. The total amount of revenues that the city may raise under subdivision 1 to finance these projects is limited to \$10,000,000 plus any associated bond costs.

Subd. 3. **Bonding authority.** Pursuant to the approval of the city voters to impose the tax authorized under subdivision 1, the city may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$10,000,000 to pay capital and administrative expenses for the projects described in subdivision 2. 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 or be included in computing or applying any levy limitation applicable to the city.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivision 1 expire when the

Crookston city council determines that the amount of revenues received from the taxes to finance the projects described in subdivision 2 first equals or exceeds \$10,000,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 29. **COOK COUNTY; LODGING AND ADMISSIONS TAXES.**

Subdivision 1. **Lodging tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the Board of Commissioners of Cook County may impose, by ordinance, a tax of up to one percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and the total tax imposed under that section and this provision must not exceed four percent.

Subd. 2. **Admissions and recreation tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the Board of Commissioners of Cook County may impose, by ordinance, a tax of up to three percent on admissions to entertainment and recreational facilities and rental of recreation equipment.

In its ordinance, the Board of Commissioners of Cook County may provide that entities exempt from the tax imposed under Minnesota Statutes, section 297A.70, are not required to collect the taxes in subdivisions 1 and 2. The Board of Commissioners of Cook County may also create lodging districts smaller than the county in which to impose the tax.

Subd. 3. **Use of taxes.** The taxes imposed in subdivisions 1 and 2 must be used to fund a new Cook County Event and Visitors Bureau as established by the Board of Commissioners of Cook County. The Board of Commissioners of Cook County must annually review the budget of the Cook County Event and Visitors Bureau.

Subd. 4. **Termination of taxes.** The taxes authorized under subdivisions 1 and 2 terminate ten years after the date of initial imposition of the taxes.

Subd. 5. **Cook County Event and Visitors Bureau.** (a) The Cook County Event and Visitors Bureau shall be governed by a 14-member board of directors composed of:

- (1) four directors to be appointed by the Grand Marais Area Tourism Association;
- (2) two directors to be appointed by the Gunflint Trail Association;
- (3) seven directors to be appointed by the Lutsen-Tofte Tourism Association; and
- (4) one nonvoting member appointed by Grand Portage.

(b) The Cook County Event and Visitors Bureau may adjust its membership upon a vote of approval by at least nine members.

EFFECTIVE DATE. This section is effective for sales and purchases after June 30, 2007.

Sec. 30. **CITY OF ELY; SALES AND USE TAX.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by ordinance a sales and use tax of up to one percent for the purposes 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 Ely 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.** The proceeds of the tax imposed under this section must be used by the city of Ely to pay the costs of collecting and administering the tax and to pay the following costs:

(1) establishment of an entry to the Boundary Waters that includes the chamber of commerce, visitor center, and related facilities;

(2) construction of a pool facility that would support Independent School District No. 696 and Ely Bloomenson Community Hospital;

(3) infrastructure improvement related to the expansion of the Ely Bloomenson Community Hospital; and

(4) community center use transition to establish the Boundary Waters Historical Center and provide for compliance with the Americans with Disabilities Act.

Subd. 4. **Bonding authority.** (a) If the tax authorized under subdivision 1 is approved by the voters, the city of Ely may issue bonds under Minnesota Statutes, chapter 475, to pay the capital and administrative expenses for the improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 3 may not exceed \$15,000,000 in aggregate. 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 of Ely, and the levy of taxes under Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. **Termination of tax.** The tax authorized under this section expires when the city council determines that the taxes imposed under this subdivision have raised revenue sufficient to pay the bonds authorized in subdivision 3, including administrative costs and interest.

Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 31. MINNETONKA WATER TREATMENT FACILITY.

Capital equipment used in or incorporated into the construction of a water treatment facility owned by the city of Minnetonka is exempt from sales tax regardless of whether purchased by the owner, contractor, subcontractor, or builder. The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded to the city of Minnetonka in the manner provided in Minnesota Statutes, section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made before December 31, 2006.

Sec. 32. CITY OF NORTH MANKATO; TAXES AUTHORIZED.

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

(1) the local share of the Trunk Highway 14/County State Aid Highway 41 interchange project; and

(2) development of regional parks and hiking and biking trails.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$4,000,000 plus any associated bond costs.

Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed \$4,000,000. A separate 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 and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2, first equals or exceeds \$4,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 33. CITY OF WINONA; 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 at a special election held before December 31, 2007, the city of Winona may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose 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 shall be used to pay the city-borne costs for the construction of a street connection from the city of Winona to Minnesota State Highways 61 and 43. The construction will provide access to the city's newly built industrial park and additional access to a hospital.

Subd. 3. Bonding authority. The city of Winona may issue bonds in an amount not to exceed \$8,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures under subdivision 2. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitation.

Subd. 4. Termination of tax. The tax authorized under subdivision 1 terminates at the earlier of: (1) five years after the date of initial imposition of the tax; or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the project described in subdivision 2, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the project specified in subdivision 2 and retirement or redemption of the bonds in subdivision 3 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 5

PROPERTY TAXES

Section 1. Minnesota Statutes 2006, 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 2008.

Sec. 2. Minnesota Statutes 2006, 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 2008.

Sec. 3. Minnesota Statutes 2006, section 126C.01, subdivision 3, is amended to read:

Subd. 3. Referendum market value. "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, ~~nonecommercial 4e(1), or 4e(4)~~ under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 4. Minnesota Statutes 2006, section 127A.48, subdivision 2, is amended to read:

Subd. 2. Methodology. In making its annual assessment/sales ratio studies, the Department of Revenue must use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota Administrative Procedure Act. When property is sold and the purchaser changes its use in a manner that would result in a change of classification of the property, the study must take into account that changed classification as soon

as practicable. For purposes of this section, sections 270.12, subdivision 2, clause (8), and 278.05, subdivision 4, the commissioner of revenue shall exclude from the assessment/sales ratio study the sale of any nonagricultural property which does not contain an improvement, if (1) the statutory basis on which the property's taxable value as most recently assessed is less than market value as defined in section 273.11, or (2) the property has undergone significant physical change or a change of use since the most recent assessment.

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

Sec. 5. Minnesota Statutes 2006, 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 2008.

Sec. 6. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 85. **Homestead of disabled veteran or surviving spouse.** (a) Property otherwise qualifying for homestead classification under section 273.13 is exempt from taxation if it is the homestead of a military veteran, as defined in section 197.447, who has a total and permanent service-connected disability. To qualify for exemption under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, and must be certified by the United States Veterans Administration as having a total (100 percent) and permanent service-connected disability.

(b) If a disabled veteran qualifying for exemption under paragraph (a) predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exemption from taxation shall carry over to the benefit of the veteran's spouse until the spouse remarries or sells or otherwise disposes of the property.

(c) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for exemption under this subdivision.

(d) To first qualify for exemption under this section, a property owner must apply to the assessor by July 1 of the assessment year, except that for assessment year 2007 application may be made until October 1, 2007. The application must be accompanied by supporting documentation as required by the assessor. Once a property has been accepted for exemption under this section, the property continues to qualify as long as it meets the requirements of this section.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 7. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 86. **Modular homes used as models by dealers.** (a) A modular home is exempt if it:

(1) is owned by a licensed manufactured home dealer and is located on land owned or leased by

that dealer;

- (2) is a single-family model home;
- (3) is not available for sale and is used exclusively as a model;
- (4) is not permanently connected to any utilities except electricity; and
- (5) is situated on a temporary foundation.

(b) The exemption under this subdivision is allowable for up to five assessment years after the date it becomes located on the property, provided that the modular home continues to meet all of the criteria under this subdivision each year. The owner of a modular model home must notify the county assessor within 60 days that it has been constructed or located on the property and must again notify the assessor if the modular home ceases to meet any of the criteria. If more than one modular home is constructed or situated on a property, the owner must notify the assessor within 60 days for each of the models placed on the property.

(c) For purposes of this subdivision, a "modular home" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on-site as a single family dwelling. Construction of the modular home must comply with applicable standards adopted in Minnesota Rules authorized under Minnesota Statutes, chapter 16B. A modular home does not include a structure subject to the requirements of the National Manufactured Home Construction and Safety Standards Act of 1974 or prefabricated buildings, as defined in Minnesota Statutes, section 327.31, subdivision 6.

EFFECTIVE DATE. This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter. The five-year assessment time period begins with the 2007 assessment for a modular model home currently situated provided it meets all of the criteria and the county assessor is notified within 90 days of the day following final enactment.

Sec. 8. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 87. **Apprenticeship training facilities.** Property used to operate a state or federally approved apprenticeship program is exempt.

EFFECTIVE DATE. This section is effective retroactively for property taxes payable in 2006 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 88. **Monosloped roofs for feedlots and manure storage areas.** A monosloped, single-pitched roof installed over a feedlot or manure storage area to prevent runoff is exempt.

EFFECTIVE DATE. This section is effective for property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 10. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 89. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity

and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be owned by an electric generation and transmission cooperative;
- (3) be located within one mile of an existing 16-inch natural gas pipeline and a 69-kilovolt and a 230-kilovolt high-voltage electric transmission line;
- (4) be designed to provide peaking, emergency backup, or contingency services;
- (5) have received a certificate of need under section 216B.243 demonstrating demand for its capacity; and
- (6) have received by resolution the approval from the governing bodies of the county and the city in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2008, and before January 1, 2012. 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 property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 11. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270C.306, the certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown

on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates filed after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, 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, or class 1c homestead resort, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

~~For assessment years 2004, 2005, and 2006, 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 2007, 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 2008, 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 2008 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 for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 13. Minnesota Statutes 2006, section 273.111, subdivision 2, is amended to read:

Subd. 2. **Public policy.** The present general system of ad valorem property taxation in the state of Minnesota does not provide an equitable basis for the taxation of certain agricultural real property ~~and has resulted in inadequate taxes on some lands and excessive taxes on others.~~ Therefore, it is hereby declared to be the public policy of this state that the public interest would best be served by equalizing tax burdens upon implementing a more realistic and fair system of valuation of agricultural property within this state through appropriate taxing measures.

Sec. 14. Minnesota Statutes 2006, section 273.111, subdivision 6, is amended to read:

Subd. 6. **Agricultural use.** Real property qualifying under subdivision 3 shall be considered to be in agricultural use provided that ~~annually~~:

(1) in at least one of the three calendar years preceding the assessment year, at least 33-1/3 25 percent of the total family income of the owner is derived therefrom, ~~or~~ and the total production income including, plus any rental income from the property is \$300 plus \$10 per tillable acre in the parcel subject to this section; and

(2) it is devoted to the production for sale of agricultural products as defined in section 273.13, subdivision 23, paragraph (e).

In this subdivision, "total production income" means gross income as reported for federal income tax purposes on Schedule F for the calendar year ending in the year preceding the assessment year.

Slough, wasteland, and woodland contiguous to or surrounded by land that is entitled to valuation and tax deferment under this section is considered to be in agricultural use if under the same ownership and management.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 15. Minnesota Statutes 2006, section 273.111, subdivision 14, is amended to read:

Subd. 14. **Applicability of special assessment provisions.** This section shall apply to special local assessments levied after July 1, 1967, and payable in the years thereafter, but shall not apply to any special assessments levied at any time by a county or district court under ~~the provisions of~~ chapter 116A, by a watershed district under chapter 103D, or by a drainage authority under chapter 103E.

EFFECTIVE DATE. This section is effective for special assessments levied after May 31, 2007, or, as applied to special assessments levied before June 1, 2007, to property that initially qualifies for valuation under section 273.111, for taxes levied in 2007.

Sec. 16. **[273.1115] AGGREGATE RESOURCE PRESERVATION PROPERTY TAX LAW.**

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

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

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

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

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

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

Subd. 2. **Application.** Application for valuation deferment under this section must be filed by May 1 of the assessment year. Any application filed and granted continues in effect for subsequent years until the property no longer qualifies, provided that supplemental affidavits under subdivision

6 are timely filed. The application must be filed with the assessor of the county in which the real property is located on such form as may be prescribed by the commissioner of revenue. The application must be executed and acknowledged in the manner required by law to execute and acknowledge a deed and must contain at least the following information and any other information the commissioner deems necessary:

(1) the legal description of the area;

(2) the name and address of owner;

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

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

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

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

Subd. 4. **Cancellation of covenant.** The covenant required under subdivision 2 may be canceled in two ways:

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

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

(i) changes the conditional use of the property;

(ii) revokes the mining permit; or

(iii) changes the zoning to disallow mining.

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

Subd. 4a. **County termination.** Within two years of the effective date of this section, a county may, following notice and public hearing, terminate application of this section in the county. The termination is effective upon adoption of a resolution of the county board. A county has 60 days from receipt of the first application for enrollment under this section to notify the applicant and any

subsequent applicants of the county's intent to begin the process of terminating application of this section in the county. The county must act on the termination within six months. Upon termination by a vote of the county board, all applications received during notification of intent to terminate shall be deemed void. If the county board does not act on the termination within six months of notification, all applications for valuation for deferment received shall be deemed eligible to be enrolled under this section. Following this initial 60-day grace period, a termination applies prospectively and does not affect property enrolled under this section prior to the termination date. A county may reauthorize application of this section by a resolution of the county board revoking the termination.

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

(1) computing the difference between (i) the current year's taxes determined in accordance with subdivision 3, and (ii) an amount as determined by the assessor based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate; and

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

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

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

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

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

Subd. 7. **Lien.** The additional tax imposed by this section is a lien upon the property assessed to

the same extent and for the same duration as other taxes imposed upon property within this state and, when collected, must be distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 8. **Continuation of tax treatment upon sale.** When real property qualifying under subdivision 1 is sold, additional taxes must not be extended against the property if the property continues to qualify under subdivision 1, and the new owner files an application with the assessor for continued deferment within 30 days after the sale.

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

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and thereafter, except that for the 2008 assessment year, the application date under subdivision 4 shall be September 1, 2008, and subdivision 4a is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2006, section 273.112, subdivision 3, is amended to read:

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

(a) actively and exclusively devoted to golf, skiing, lawn bowling, croquet, polo, soccer, or archery or firearms range recreational use or other recreational uses carried on at the establishment;

(b) five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range;

(c)(1) operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and

(d) made available for use in the case of real estate devoted to golf without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

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

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

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

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

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 18. Minnesota Statutes 2006, section 273.117, is amended to read:

273.117 CONSERVATION PROPERTY TAX VALUATION.

The value of real property which is subject to a conservation restriction or easement shall be entitled to reduced valuation under this section may be adjusted by the assessor if:

(a) The restriction or easement is for a conservation purpose as defined in section 84.64, subdivision 2, and is recorded on the property;

(b) The property is being used in accordance with the terms of the conservation restriction or easement.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 19. Minnesota Statutes 2006, section 273.123, subdivision 7, is amended to read:

Subd. 7. Local option; other property. The owner of homestead property not qualifying for an adjustment in valuation pursuant to subdivisions 1 to 5 or of nonhomestead property may receive a reduction in the amount of taxes payable on the property for the year in which the destruction occurs and in the following year if:

(a) 50 percent or more of the homestead dwelling or other structure, as established by the county assessor, is (i) unintentionally or accidentally destroyed, or (ii) destroyed by arson or vandalism, by someone other than the owner, and the homestead is uninhabitable or the other structure is not usable;

(b) the owner of the property makes written application to the county assessor as soon as practical after the damage has occurred; and

(c) the owner of the property makes written application to the county board.

The county board may grant a reduction in the amount of property tax which the owner must pay on the qualifying property in the year of destruction and in the following year. Any reduction in the amount of tax payable which is authorized by county board action shall be calculated based

upon the number of months that the home is uninhabitable or the other structure is unusable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer, or the number of months the other structure was used by the taxpayer, and the denominator of which is 12. For purposes of this subdivision, if a structure is occupied or used for a fraction of a month, it is considered a month. "Net tax" is defined as the amount of tax after the subtraction of all of the state paid property tax credits. If application is made following payment of all property taxes due for the year of destruction, the amount of the reduction granted by the county board shall be refunded to the taxpayer by the county treasurer as soon as practical.

Any reductions or refunds approved by the county board shall not be subject to approval by the commissioner of revenue.

The county board may levy in the following year the amount of tax dollars lost to the county government as a result of the reductions granted pursuant to this subdivision.

EFFECTIVE DATE. This section is effective for destruction that occurs in calendar year 2006 and thereafter.

Sec. 20. Minnesota Statutes 2006, section 273.124, subdivision 11, is amended to read:

Subd. 11. **Limitation on homestead treatment.** ~~(a) For taxes payable in 2003 through 2005 only,~~ If the assessor has classified a property as both homestead and nonhomestead, the greater of: (1) the value attributable to the portion of the property used as a homestead; or (2) ~~the homestead value amount determined under paragraph (b) \$76,000,~~ is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23.

~~(b) For taxes payable in 2003 only, the homestead value amount is \$60,000. For taxes payable in 2004 only, the homestead value amount is \$45,000. For taxes payable in 2005 only, the homestead value amount is \$30,000.~~

~~The homestead value amount must not exceed the property's taxable market value.~~

~~(c) The limitation in this section does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead. If the assessor has classified a property as both homestead and nonhomestead, the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.~~

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 21. Minnesota Statutes 2006, section 273.124, is amended by adding a subdivision to read:

Subd. 22. **Annual registration of certain relative homesteads.** If the owner of property or the owner's relative who occupies property that is classified as a homestead under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any part of that property for a period that exceeds 31 consecutive days during the calendar year, the recipient of the compensation must register the property with the city in which it is located no later than 60 days after the initial rental period began. This requirement applies to property located in a city that has a population over

25,000. Each city must maintain a file of these property registrations that is open to the public, and retain the registrations for one year after the date of filing.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 22. Minnesota Statutes 2006, section 273.125, subdivision 8, is amended to read:

Subd. 8. **Manufactured homes; sectional structures.** (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. Manufactured home includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) Except as provided in paragraph (c), a manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease, or the unit is located in a manufactured home park but is not the homestead of the park owner;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on-site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules under the Administrative Procedure Act to establish additional criteria for the classification of manufactured homes and sectional structures

under this subdivision.

(f) A storage shed, deck, or similar improvement constructed on property that is leased or rented as a site for a manufactured home, sectional structure, park trailer, or travel trailer is taxable as provided in this section. In the case of property that is leased or rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the site that is considered personal property under this paragraph is taxable only if its total estimated market value is over ~~\$500~~ \$1,000. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or user of the site. The site owner must provide the name and address to the assessor upon request.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 23. Minnesota Statutes 2006, section 273.128, subdivision 1, is amended to read:

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 24. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or

triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

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

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

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

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

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

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

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

~~(3) any person who is permanently and totally disabled.~~

Property is classified and assessed under clause ~~(3)~~ (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

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

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

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy

and a fee is charged for residential occupancy. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 25. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of ~~0.55~~ 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2b property is ~~(1) unplatted real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate, that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) and that consists of at least ten acres, including land used for growing trees for timber, lumber, and wood and wood products, but not including land used for agricultural purposes, provided that the presence of a minor, ancillary nonresidential structure does not disqualify property from classification under this clause, (2) real estate that is nonhomestead agricultural land; or (4) (3) a landing area or public access area of a privately owned public use~~

airport; or (4) land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, clauses (1) to (3). Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of .55 percent if it consists of no more than 1,920 acres and is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program, provided that the owner of the property must apply to the assessor annually to receive the reduced class rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate.

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

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

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

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

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

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

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

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

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

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

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under

section 97A.115;

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

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

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

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

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

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

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

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

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

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

The land contained in a landing area under paragraph (b), clause (4), must be described and certified

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

(h) To qualify for classification under paragraph (b), clause (4), the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

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

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

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

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

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter, except that paragraph (b), clause (4), is effective for taxes levied in 2008, payable in 2009, and thereafter.

Sec. 26. Minnesota Statutes 2006, section 273.13, subdivision 24, is amended to read:

Subd. 24. **Class 3.** (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the

value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) All Personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii), including tools, implements, and machinery, has a class rate of 2.5 percent for taxes levied in 2008, payable in 2009, and 3.0 percent for taxes levied in 2009, payable in 2010, and thereafter.

(3) Personal property that is either: (i) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), and all, including tools, implements, and machinery, or (ii) part of an electric transmission or distribution system, including tools, implements, and machinery, has a class rate of 2.15 percent for taxes levied in 2008, payable in 2009, and 2.25 percent for taxes levied in 2009, payable in 2010, and thereafter.

(4) railroad operating property has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 27. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

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

platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, ~~other than seasonal residential recreational property;~~

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, ~~other than seasonal residential recreational property;~~ and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

~~Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.~~

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, ~~including real property devoted to temporary and seasonal residential occupancy for recreation purposes~~ and not devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, ~~seasonal residential recreational for commercial purposes,~~ at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not

more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property; and

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under clause (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) ~~each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property,~~ (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, ~~(iii)~~ (ii) commercial-use seasonal residential recreational property and restaurant property under clause (10) has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, ~~(iv)~~ (iii) the market value of property described in clause (4) has a class rate of one percent, ~~(v)~~ (iv) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and ~~(vi)~~ (v) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter, except that the application date in clause (10) for the 2007 assessment is extended to September 1, 2007.

Sec. 28. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 29. Minnesota Statutes 2006, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property ~~and seasonal residential recreational property,~~ as defined in this section at the rate imposed under Minnesota Statutes 2002, section 275.025, for taxes payable in 2004. ~~The state general levy~~

base amount is \$592,000,000 for taxes payable in 2002. For taxes payable in subsequent years, the levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

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 270C.89 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.

Sec. 30. Minnesota Statutes 2006, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, except for electric generation attached machinery under class 3 and property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.

Sec. 31. Minnesota Statutes 2006, section 275.025, subdivision 4, is amended to read:

Subd. 4. **Apportionment and levy of state general tax.** Ninety-five percent of the state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and five percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year and to spread the tax. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 32. Minnesota Statutes 2006, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. **Class 3a property.** (a) The delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment and had a total market value of \$200,000 \$500,000 or less for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as provided in paragraphs (b) to (d).

(b) Current year taxes and penalty due at the time the confession of judgment is entered must be paid.

(c) The down payment must include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining is payable in four equal annual installments.

(d) The amounts entered in judgment bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

EFFECTIVE DATE. This section is effective for confessions of judgment entered after June 30, 2007.

Sec. 33. Minnesota Statutes 2006, section 280.39, is amended to read:

280.39 DELINQUENT TAXES MAY BE PAID IN INVERSE ORDER.

In any case where taxes for two or more years are delinquent against a parcel of land, such taxes for one or more ~~entire~~ years, if held by the state, may be paid in the inverse order to that in which the taxes were levied, with accrued penalties, interest, and costs upon the taxes so paid, without payment of the taxes for the first of such years; provided, that such payment shall not affect the lien of any unpaid taxes or tax judgment. Payments for delinquent taxes for a part of a year may be accepted if payment is received under section 290A.10, and must be applied in the order specified in this section.

Sec. 34. Minnesota Statutes 2006, section 290A.10, is amended to read:

290A.10 PROOF OF TAXES PAID.

Subdivision 1. **Generally.** Every claimant who files a claim for relief for property taxes payable shall include with the claim a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under section 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 279.37.

Subd. 2. **Delinquent taxes.** The governing body of a county may, by resolution, allow claimants who would otherwise qualify for a refund, except for a property tax delinquency under sections 279.02 and 279.03 on the homestead, to be eligible for the refund but only if the refund is sent by electronic payment to the county where the homestead on which property taxes are delinquent is located, to be applied to the claimant's delinquent taxes under section 280.39.

EFFECTIVE DATE. This section is effective for claims based on taxes payable in 2008 and

thereafter.

Sec. 35. Minnesota Statutes 2006, section 290C.07, is amended to read:

290C.07 CALCULATION OF INCENTIVE PAYMENT.

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the land using the previous year's statewide average total township tax rate and the class rate for class 2b timberland under section 273.13, subdivision 23, paragraph (b), if the land were valued at (i) the average statewide timberland market value per acre calculated under section 290C.06, and (ii) the average statewide timberland current use value per acre calculated under section 290C.02, subdivision 5; or

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and the class rate for 2b timberland under section 273.13, subdivision 23, paragraph (b); ~~or~~

~~(3) \$1.50, provided that the payment shall be no less than \$5 per acre for each acre enrolled in the sustainable forest incentive program.~~

EFFECTIVE DATE. This section is effective for payments made after June 30, 2007.

Sec. 36. Minnesota Statutes 2006, section 473.446, subdivision 2, is amended to read:

Subd. 2. **Transit taxing district.** The metropolitan transit taxing district ~~is hereby designated as that portion of the metropolitan transit area lying within the following named cities, towns, or unorganized territory within the counties indicated:~~

~~(a) Anoka County. Anoka, Blaine, Centerville, Columbia Heights, Coon Rapids, Fridley, Circle Pines, Hilltop, Lexington, Lino Lakes, Spring Lake Park;~~

~~(b) Carver County. Chanhassen, the city of Chaska;~~

~~(c) Dakota County. Apple Valley, Burnsville, Eagan, Inver Grove Heights, Lilydale, Mendota, Mendota Heights, Rosemount, South St. Paul, Sunfish Lake, West St. Paul;~~

~~(d) Ramsey County. All of the territory within Ramsey County;~~

~~(e) Hennepin County. Bloomington, Brooklyn Center, Brooklyn Park, Champlin, Chanhassen, Crystal, Deephaven, Eden Prairie, Edina, Excelsior, Golden Valley, Greenwood, Hopkins, Long Lake, Maple Grove, Medicine Lake, Minneapolis, Minnetonka, Minnetonka Beach, Mound, New Hope, Orono, Osseo, Plymouth, Richfield, Robbinsdale, St. Anthony, St. Louis Park, Shorewood, Spring Park, Tonka Bay, Wayzata, Woodland, the unorganized territory of Hennepin County;~~

~~(f) Scott County. Prior Lake, Savage, Shakopee;~~

~~(g) Washington County. Baytown, the city of Stillwater, White Bear Lake, Bayport, Birchwood, Cottage Grove, Dellwood, Lake Elmo, Landfall, Mahtomedi, Newport, Oakdale, Oak Park Heights, Pine Springs, St. Paul Park, Willernie, Woodbury~~ means the metropolitan area.

The Metropolitan Council in its sole discretion may provide transit service by contract beyond

~~the boundaries of the metropolitan transit taxing district or to cities and towns within the taxing district which are receiving financial assistance under section 473.388, upon petition therefor by an interested city, township or political subdivision within the metropolitan transit area. The Metropolitan Council may establish such terms and conditions as it deems necessary and advisable for providing the transit service, including such combination of fares and direct payments by the petitioner as will compensate the council for the full capital and operating cost of the service and the related administrative activities of the council. The amount of the levy made by any municipality to pay for the service shall be disregarded when calculation of levies subject to limitations is made, provided that cities and towns receiving financial assistance under section 473.388 shall not make a special levy under this subdivision without having first exhausted the available local transit funds as defined in section 473.388. The council shall not be obligated to extend service beyond the boundaries of the taxing district, or to cities and towns within the taxing district which are receiving financial assistance under section 473.388, under any law or contract unless or until payment therefor is received.~~

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 37. Minnesota Statutes 2006, section 473.446, subdivision 8, is amended to read:

Subd. 8. **State review.** The commissioner of revenue shall certify the council's levy limitation under this section to the council by August 1 of the levy year. The council must certify its proposed property tax levy under this section to the commissioner of revenue by September 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax for transit purposes certified by the council for levy following the adoption of its proposed budget is within the levy limitation imposed by subdivisions subdivision 1 and 1b. ~~The commissioner shall also annually determine whether the transit tax imposed on all taxable property within the metropolitan transit area but outside of the metropolitan transit taxing district is within the levy limitation imposed by subdivision 1a.~~ The determination must be completed prior to September 10 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculations.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 38. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243, article 6, section 9, and Laws 2000, chapter 490, article 6, section 15, is amended to read:

Sec. 3. TAX; PAYMENT OF EXPENSES.

(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds 0.063 percent of taxable market value ~~the amount authorized to be levied under that section.~~ The proceeds of the tax may be used for all purposes of the hospital district, except as provided in paragraph (b).

(b) ~~0.048 percent of taxable market value of tax in paragraph (a) may be used only for acquisition, betterment, and maintenance of the district's hospital and nursing home facilities and equipment, and not for administrative or salary expenses.~~

~~(e)~~ 0.015 percent of taxable market value of the tax in paragraph (a) may be used solely for the purpose of capital expenditures as it relates to ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not for administrative or salary expenses.

The part of the levy referred to in paragraph ~~(e)~~ (b) must be administered by the Cook Hospital and passed on directly to the Cook area ambulance service board and the city of Orr to be held in trust until funding for a new ambulance is needed by either the Cook ambulance service or the Orr ambulance service.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the Cook-Orr Hospital District.

Sec. 39. Laws 1989, chapter 211, section 8, subdivision 4, as amended by Laws 2002, chapter 390, section 24, and Laws 2003, chapter 127, article 2, section 22, subdivision 4, is amended to read:

Subd. 4. **Tax levy.** The tax levied under Minnesota Statutes, section 447.34, shall not exceed \$300,000 for taxes levied in 2002. ~~For taxes levied in 2003 and subsequent years, the tax must not exceed the lesser of:~~

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

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

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

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the Cook County Hospital District.

Sec. 40. **EDUCATION IMPROVEMENT ACCOUNT.**

\$78,000,000 of the proceeds of the tax under Minnesota Statutes, section 275.025, for taxes payable in 2009 must be deposited in an education improvement account, which is created in the general fund of the state treasury. \$83,334,000 of the proceeds of the tax under Minnesota Statutes, section 275.025, for taxes payable in 2010 and subsequent years must be deposited in the education improvement account.

Sec. 41. **VALUATION OF AGRICULTURAL PROPERTY.**

By October 1, 2007, the commissioner of revenue must develop a method of valuing agricultural property that accurately reflects the actual value of the property by October 1, 2007. The commissioner must report and make specific recommendations to the chairs of the committees and divisions of the senate and house of representatives that have jurisdiction over taxes and property taxes.

Sec. 42. **REPEALER.**

Minnesota Statutes 2006, sections 275.025, subdivision 3; 279.01, subdivision 4; and 473.4461,

are repealed.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

ARTICLE 6

AIDS AND CREDITS; PROPERTY TAX REFUND

Section 1. Minnesota Statutes 2006, section 97A.061, subdivision 2, is amended to read:

Subd. 2. **Allocation.** (a) Except as provided in subdivision 3, the county treasurer shall allocate the payment among the county, towns, and school districts on the same basis as if the payments were taxes on the land received in the year. Payment of a town's or a school district's allocation must be made by the county treasurer to the town or school district within 30 days of receipt of the payment to the county. The county's share of the payment shall be deposited in the county general revenue fund.

(b) The county treasurer of a county with a population over 39,000 but less than 42,000 in the 1950 federal census shall allocate the payment only among the towns and school districts on the same basis as if the payments were taxes on the lands received in the current year.

(c) If a town received a payment in calendar year 2006 or thereafter under this subdivision, and subsequently incorporated as a city, the city will continue to receive any future year's allocations that would have been made to the town had it not incorporated, provided that the payments will terminate if the governing body of the city passes an ordinance that prohibits hunting within the boundaries of the city.

EFFECTIVE DATE. This section is effective for aid payments made in 2007 and thereafter.

Sec. 2. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. **Residential homestead market value credit.** Each county auditor shall determine a homestead credit for each class 1a, 1b, and 2a homestead property within the county equal to 0.4 percent of the first ~~\$76,000~~ \$86,000 of market value of the property minus ~~.09~~ .1 percent of the market value in excess of ~~\$76,000~~ \$86,000. The credit amount may not be less than zero. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property that is classified as part homestead and part nonhomestead, (i) the credit shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the credit amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective for taxes payable in 2008 and thereafter.

Sec. 3. Minnesota Statutes 2006, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's class 2a market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first ~~\$115,000~~ \$150,000 of the property's agricultural credit market value minus .05 percent of the property's agricultural credit market value in excess of ~~\$115,000~~ \$150,000, subject to a maximum reduction of \$115. In the case of property that is classified in part as class 2a agricultural homestead and in part as class 2b nonhomestead farm land solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit must be initially computed as if that nonhomestead agricultural land was also classified as class 2a agricultural homestead and then prorated to the owner-occupant's percentage of ownership.

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 4. Minnesota Statutes 2006, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
			<u>\$1,450</u>
\$0 to 1,189 <u>1,399</u>	1.0 percent	15 <u>10</u> percent	<u>\$2,130</u>
1,190 <u>1,400</u> to 2,379 <u>2,799</u>	1.1 percent	15 <u>10</u> percent	<u>\$1,450</u> <u>\$2,130</u>
2,380 <u>2,800</u> to 3,589 <u>4,219</u>	1.2 percent	15 <u>10</u> percent	<u>\$1,410</u> <u>\$2,080</u>
3,590 <u>4,220</u> to 4,789 <u>5,629</u>	1.3 percent	20 <u>15</u> percent	<u>\$1,410</u> <u>\$2,080</u>
4,790 <u>5,630</u> to 5,979 <u>7,029</u>	1.4 percent	20 <u>15</u> percent	<u>\$1,360</u> <u>\$2,000</u>
5,980 <u>7,030</u> to 8,369 <u>9,839</u>	1.5 percent	20 <u>15</u> percent	<u>\$1,360</u> <u>\$2,000</u>
8,370 <u>9,840</u> to 9,559 <u>11,239</u>	1.6 percent	25 <u>20</u> percent	<u>\$1,310</u> <u>\$1,850</u>
9,560 <u>11,240</u> to 10,759 <u>12,649</u>	1.7 percent	25 <u>20</u> percent	<u>\$1,310</u> <u>\$1,850</u>

10,760 <u>12,650</u> to			<u>\$1,260</u>
11,949 <u>14,049</u>	1.8 percent	25 <u>20</u> percent	<u>\$1,780</u>
11,950 <u>14,050</u> to			<u>\$1,260</u>
13,139 <u>15,449</u>	1.9 percent	30 <u>25</u> percent	<u>\$1,780</u>
13,140 <u>15,450</u> to			<u>\$1,210</u>
14,349 <u>16,869</u>	2.0 percent	30 <u>25</u> percent	<u>\$1,700</u>
14,350 <u>16,870</u> to			<u>\$1,210</u>
16,739 <u>19,679</u>	2.1 percent	30 <u>25</u> percent	<u>\$1,700</u>
16,740 <u>19,680</u> to			<u>\$1,160</u>
17,929 <u>21,079</u>	2.2 percent	35 <u>30</u> percent	<u>\$1,560</u>
17,930 <u>21,080</u> to			<u>\$1,160</u>
19,119 <u>22,469</u>	2.3 percent	35 <u>30</u> percent	<u>\$1,560</u>
19,120 <u>22,470</u> to			<u>\$1,110</u>
20,319 <u>23,879</u>	2.4 percent	35 <u>30</u> percent	<u>\$1,500</u>
20,320 <u>23,880</u> to			<u>\$1,110</u>
25,099 <u>29,499</u>	2.5 percent	40 <u>35</u> percent	<u>\$1,500</u>
25,100 <u>29,500</u> to			<u>\$1,070</u>
28,679 <u>33,709</u>	2.6 percent	40 <u>35</u> percent	<u>\$1,450</u>
28,680 <u>33,710</u> to			<u>\$1,070</u>
35,849 <u>42,139</u>	2.7 percent	40 <u>35</u> percent	<u>\$1,450</u>
35,850 <u>42,140</u> to			<u>\$ 970</u>
41,819 <u>49,159</u>	2.8 percent	45 <u>40</u> percent	<u>\$1,310</u>
41,820 <u>49,160</u> to			<u>\$ 970</u>
47,799 <u>56,189</u>	3.0 percent	45 <u>40</u> percent	<u>\$1,310</u>
47,800 <u>56,190</u> to			<u>\$ 870</u>
53,779 <u>63,209</u>	3.2 percent	45 <u>40</u> percent	<u>\$1,170</u>
53,780 <u>63,210</u> to			<u>\$ 780</u>
59,749 <u>70,229</u>	3.5 percent	50 <u>45</u> percent	<u>\$1,010</u>
59,750 <u>70,230</u> to			<u>\$ 680</u>
65,729 <u>77,259</u>	4.0 percent	50 <u>45</u> percent	<u>\$880</u>
65,730 <u>77,260</u> to			<u>\$ 580</u>
69,319 <u>81,479</u>	4.0 percent	50 <u>45</u> percent	<u>\$750</u>
69,320 <u>81,480</u> to			<u>\$ 480</u>
71,719 <u>84,299</u>	4.0 percent	50 <u>45</u> percent	<u>\$620</u>
71,720 <u>84,300</u> to			<u>\$ 390</u>
74,619 <u>87,709</u>	4.0 percent	50 <u>45</u> percent	<u>\$510</u>
74,620 <u>87,710</u> to			<u>\$ 290</u>
77,519 <u>91,119</u>	4.0 percent	50 <u>45</u> percent	<u>\$370</u>

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$77,520~~ \$91,120 or more.

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2008.

Sec. 5. Minnesota Statutes 2006, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
			\$1,190
\$0 to 3,589 <u>4,219</u>	1.0 percent	5 percent	<u>\$1,400</u>
3,590 <u>4,220</u> to 4,779 <u>5,619</u>	1.0 percent	10 percent	<u>\$1,400</u>
4,780 <u>5,620</u> to 5,969 <u>7,019</u>	1.1 percent	10 percent	<u>\$1,400</u>
5,970 <u>7,020</u> to 8,369 <u>9,839</u>	1.2 percent	10 percent	<u>\$1,400</u>
8,370 <u>9,840</u> to 10,759 <u>12,649</u>	1.3 percent	15 percent	<u>\$1,400</u>
10,760 <u>12,650</u> to 11,949 <u>14,049</u>	1.4 percent	15 percent	<u>\$1,400</u>
11,950 <u>14,050</u> to 13,139 <u>15,449</u>	1.4 percent	20 percent	<u>\$1,400</u>
13,140 <u>15,450</u> to 15,539 <u>18,269</u>	1.5 percent	20 percent	<u>\$1,400</u>
15,540 <u>18,270</u> to 16,729 <u>19,669</u>	1.6 percent	20 percent	<u>\$1,400</u>
16,730 <u>19,670</u> to 17,919 <u>21,059</u>	1.7 percent	25 percent	<u>\$1,400</u>
17,920 <u>21,060</u> to 20,319 <u>23,879</u>	1.8 percent	25 percent	<u>\$1,400</u>
20,320 <u>23,880</u> to 21,509 <u>25,279</u>	1.9 percent	30 percent	<u>\$1,400</u>
21,510 <u>25,280</u> to 22,699 <u>26,679</u>	2.0 percent	30 percent	<u>\$1,400</u>

22,700 <u>26,680</u> to			\$1,190
23,899 <u>28,089</u>	2.2 percent	30 percent	<u>\$1,400</u>
23,900 <u>28,090</u> to			\$1,190
25,089 <u>29,489</u>	2.4 percent	30 percent	<u>\$1,400</u>
25,090 <u>29,490</u> to			\$1,190
26,289 <u>30,899</u>	2.6 percent	35 percent	<u>\$1,400</u>
26,290 <u>30,900</u> to			\$1,190
27,489 <u>32,309</u>	2.7 percent	35 percent	<u>\$1,400</u>
27,490 <u>32,310</u> to			\$1,190
28,679 <u>33,709</u>	2.8 percent	35 percent	<u>\$1,400</u>
28,680 <u>33,710</u> to			\$1,190
29,869 <u>35,109</u>	2.9 percent	40 percent	<u>\$1,400</u>
29,870 <u>35,110</u> to			\$1,190
31,079 <u>36,529</u>	3.0 percent	40 percent	<u>\$1,400</u>
31,080 <u>36,530</u> to			\$1,190
32,269 <u>37,929</u>	3.1 percent	40 percent	<u>\$1,400</u>
32,270 <u>37,930</u> to			\$1,190
33,459 <u>39,329</u>	3.2 percent	40 percent	<u>\$1,400</u>
33,460 <u>39,330</u> to			\$1,080
34,649 <u>40,729</u>	3.3 percent	45 percent	<u>\$1,270</u>
34,650 <u>40,730</u> to			\$ 960
35,849 <u>42,139</u>	3.4 percent	45 percent	<u>\$1,130</u>
35,850 <u>42,140</u> to			\$ 830
37,049 <u>43,549</u>	3.5 percent	45 percent	<u>\$980</u>
37,050 <u>43,550</u> to			\$ 720
38,239 <u>44,949</u>	3.5 percent	50 percent	<u>\$850</u>
38,240 <u>44,950</u> to			\$ 600
39,439 <u>46,359</u>	3.5 percent	50 percent	<u>\$710</u>
38,440 <u>46,360</u> to			\$ 360
40,629 <u>47,759</u>	3.5 percent	50 percent	<u>\$420</u>
40,630 <u>47,760</u> to			\$ 120
41,819 <u>49,159</u>	3.5 percent	50 percent	<u>\$140</u>

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~ \$49,160 or more.

Sec. 6. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** Beginning for property tax refunds payable in calendar year ~~2002~~ 2009, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the

inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2007, to the year ending on June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

Sec. 7. Minnesota Statutes 2006, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is ~~zero~~ equal to the city aid base used to calculate the aid certified under Minnesota Statutes 2002, section 477A.011, subdivision 36, for aid payable in 2003.

~~(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.~~

~~(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) (c) The city aid base for a city is increased by \$25,000 \$30,000 in 2006 only 2008 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is~~

also increased by ~~\$25,000~~ \$30,000 in calendar year ~~2006~~ 2008 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.

~~(s)~~ (d) The city aid base for a city with a population less than 5,000 is increased in ~~2006~~ 2008 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to ~~\$6~~ \$9 multiplied by its population.

~~(t)~~ (e) The city aid base for a city is increased by \$80,000 in 2007 ~~only~~ and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2007 only, if, as of May 1, 2006:

(1) ~~as of May 1, 2006~~, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is ~~still~~ on the tax rolls ~~as of May 1, 2006~~.

~~(u)~~ (f) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2008.

Sec. 8. Minnesota Statutes 2006, section 477A.0124, subdivision 4, is amended to read:

Subd. 4. **County tax-base equalization aid.** (a) For 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~~ \$215 times the county's population, exceeds (ii) ~~9.45~~ 8.33 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).

Sec. 9. Minnesota Statutes 2006, section 477A.0124, subdivision 5, is amended to read:

Subd. 5. **County transition aid.** (a) For 2005, a county is eligible for transition aid equal to the amount, if any, by which:

(1) the difference between:

(i) the aid the county received under subdivision 1 in 2004, divided by the total aid paid to all counties under subdivision 1, multiplied by \$205,000,000; and

(ii) the amount of aid the county is certified to receive in 2005 under subdivisions 3 and 4; exceeds:

(2) three percent of the county's adjusted net tax capacity.

A county's aid under this paragraph may not be less than zero.

(b) In 2006, a county is eligible to receive two-thirds of the transition aid it received in 2005.

(c) In 2007 and subsequent years, a county is eligible to receive one-third of the transition aid it received in 2005.

~~(d) No county shall receive aid under this subdivision after 2007.~~

Sec. 10. Minnesota Statutes 2006, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **Towns.** ~~In 2002, no~~ In 2008 and subsequent years, each town is eligible for a distribution under this subdivision equal to 40 percent of the amount of homestead and agricultural credit aid reimbursement it received under Minnesota Statutes 2000, section 273.1398, in calendar year 2001.

Sec. 11. Minnesota Statutes 2006, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** ~~In calendar year 2004~~ 2008 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; ~~the taconite aids under sections 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant, 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.~~

~~For purposes of this subdivision, "a city directly impacted by a taconite mine or plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6) Silver Bay, or (7) Virginia.~~

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

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

Sec. 12. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2002 and thereafter~~ 2009, 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, and (3) one-half of the difference between its total aid in the previous year under this section and its city aid base in the previous year. For aids payable in 2010 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, (2) its city aid base, and (3) its formula aid under subdivision 8 in the previous year, prior to any adjustments under this subdivision.

(b) For aids payable in ~~2005~~ 2008 and thereafter, the total aid for any city shall not exceed the sum of (1) ~~ten percent of the city's net levy for the year prior to the aid distribution~~ \$56 per capita plus (2) its total aid in the previous year in the case of a city that receives a distribution under section 477A.011, subdivision 36, paragraph (d), the amount it receives under that provision. For aids payable in ~~2005 and thereafter~~ 2008, 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.~~

(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)~~ If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

Sec. 13. Minnesota Statutes 2006, 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, the total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids payable in 2006 and thereafter 2007, the total aids paid under section 477A.013, subdivision 9, is limited to \$485,052,000.~~

For aids payable in 2008 and thereafter, the total aids paid under section 477A.013, subdivision 9, is limited to \$635,052,000.

Sec. 14. Minnesota Statutes 2006, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in calendar year 2005 ~~and thereafter~~ to 2007, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$100,500,000. For aids payable in calendar year 2008, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$130,500,000. For aids payable in 2009 and subsequent years, the total aid limitation shall be the amount of the previous year's limitation, increased by the percentage increase determined for the year under section 477A.145. 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, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. For aids payable in 2006 ~~and thereafter~~ 2007, the total aid under section 477A.0124, subdivision 4, is limited to \$105,132,923. For aids payable in 2008, the total aid under section 477A.0124, subdivision 4, is limited to \$135,132,923. For aids payable in 2009 and subsequent years, the total aid limitation shall be the amount of the previous year's limitation, increased by the percentage increase determined for the year under section 477A.145. 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.

Sec. 15. Minnesota Statutes 2006, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land;

(3) ~~75 cents~~ \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land that is located entirely within a wildlife management area as described in section 86A.05, subdivision 8; and 75 cents, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land not located within a wildlife management area; and

(4) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the Department of Transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.

EFFECTIVE DATE. This section is effective for payments in 2008 and thereafter.

Sec. 16. Minnesota Statutes 2006, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. **General distribution.** Except as provided in subdivision 2 or in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land, each acre of land utilization project land located entirely within a wildlife management area, and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5 cents, as adjusted for inflation under section 477A.145, for each acre of other natural resources land and each acre of land utilization project land not located within a wildlife management area, located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to

provide property tax levy reduction.

EFFECTIVE DATE. This section is effective for payments in 2008 and thereafter.

Sec. 17. Laws 2006, chapter 259, article 11, section 3, is amended to read:

Sec. 3. MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT, PROPERTY TAX REIMBURSEMENT; ~~2006 ONLY.~~

Subdivision 1. **Aid appropriation.** \$600,000 is appropriated annually from the general fund to the commissioner of revenue to be used to make payments to compensate for the loss of property tax revenue due to the placement of land located in the city of Mahnomen that was put in trust status by the United States Department of the Interior, Bureau of Indian Affairs, during calendar year 2006. The commissioner shall pay the county of Mahnomen, \$450,000; the city of Mahnomen, \$80,000; and Independent School District No. 432, Mahnomen, \$70,000, provided that these payments shall be reduced in 2007 and any subsequent year by the amount, if any, of payments to that political subdivision made during the previous calendar year by the owner of the land that was placed in trust. The payments shall be made on July 20~~7~~ of 2006, and each subsequent year.

Subd. 2. **School district tax base adjustments.** The Department of Revenue must reduce the referendum market value and the adjusted net tax capacity certified for assessment year 2005 used to calculate school levies for taxes payable in 2007 and subsequent years for Independent School District No. 432, Mahnomen, by the amounts of any values attributable to property that is no longer subject to property taxation because the land has been placed in trust in calendar year 2006 through action of the United States Department of Interior, Bureau of Indian Affairs. The Mahnomen County auditor must certify the reductions in value to the Department of Revenue in the form and manner specified by the Department of Revenue.

Sec. 18. STUDY OF AIDS TO LOCAL GOVERNMENTS.

The chairs of the senate and house of representatives committees on taxes shall each appoint five members to a study group of the tax committees to examine the current system of aids to local governments and make recommendations on improvements to the system. Of the five members appointed by each chair, two must be members of the tax committee, one who is a majority party member and one who is a minority party member. The remaining members must represent local units of government. The chairs of the divisions of the tax committees having jurisdiction over property taxes shall also be members and shall serve as cochairs of the study group. The group must report on its specific recommendations to the legislature by December 15, 2007.

ARTICLE 7

MINERALS

Section 1. Minnesota Statutes 2006, section 276A.01, subdivision 3, is amended to read:

Subd. 3. **Commercial-industrial property.** "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of the property (i) that may, by law, constitute the tax base for a tax increment pledged pursuant to section 469.042 or 469.162 or sections 469.174 to 469.178, certification of which was requested prior to May 1, 1996, to the extent and while the tax increment is so pledged; or (ii) that is exempt from taxation under section 272.02:

(1) that portion of class 5 property consisting of unmined iron ore and low-grade iron-bearing formations as defined in section 273.14, tools, implements, and machinery, except the portion of high voltage transmission lines, the value of which is deducted from net tax capacity under section 273.425; and

(2) that portion of class 3 and class 5 property which is either used or zoned for use for any commercial or industrial purpose, including property that becomes taxable under section 6, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property must be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision are to the successor class or classes of property, or portions thereof, that include the kinds of property designated in this subdivision.

Sec. 2. Minnesota Statutes 2006, section 276A.04, is amended to read:

276A.04 INCREASE IN NET TAX CAPACITY.

By July 15 of 1997 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the net tax capacity determined in the preceding year pursuant to section 276A.03, of commercial-industrial property subject to taxation within each municipality in the county exceeds the net tax capacity in 1995 of commercial-industrial property subject to taxation within that municipality, including the total net tax capacity of property that becomes taxable under section 6. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 276A.03 to the county auditor responsible for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 276A.05. The increase in total net tax capacity determined by this section must be reduced by the amount of any decreases in the net tax capacity of commercial-industrial property resulting from any court decisions, court-related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on May 1 of the current assessment year, where the decreases, if originally reflected in the determination of a prior year's net tax capacity under section 276A.03, would have resulted in a smaller contribution from the municipality in that year. An adjustment for the decreases shall be made only if the municipality made a contribution in a prior year based on the higher net tax capacity of the commercial-industrial property.

Sec. 3. Minnesota Statutes 2006, section 298.22, is amended by adding a subdivision to read:

Subd. 5a. **Forest trust.** The board may purchase forest lands in the taconite assistance area under section 273.1341 with funds specifically authorized for the purchase. All of these forest lands must be held in trust for the benefit of the citizens of the area as the Iron Range Miners' Memorial Forest. The board may use the forest trust lands for recreation and economic uses. The board must deposit the proceeds from the sale of timber or removal of gravel or other minerals from these forest lands into an Iron Range Miners' Memorial Forest account established by the board. By majority vote of the board, money in the Iron Range Miners' Memorial Forest account may be transferred into the

Douglas J. Johnson economic protection trust fund under sections 298.291 to 298.294.

Sec. 4. Minnesota Statutes 2006, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

Subdivision 1. Fund for producers. An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer.

Subd. 2. Committee review. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee.

Subd. 3. Release of funds. The funds held pursuant to this section may be released only for acquisition of equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton ~~beginning with distributions in 2002.~~

Subd. 4. Limitation. The amount that may be released to a producer under this section in any year is subject to the following limitation:

(1) in a calendar year following a calendar year during which the producer's total production is less than 3,000,000 tons, the maximum distribution is an amount equal to 30.1 cents per ton;

(2) in a calendar year following a calendar year during which the producer's total production is at least 3,000,000 tons and less than 8,000,001 tons, the maximum distribution is \$903,000; and

(3) in a calendar year following a calendar year during which the producer's total production is in excess of 8,000,000 tons, the maximum distribution is \$903,000 plus 60.2 cents for every ton by which the distribution exceeds 8,000,000 tons.

Subd. 5. Repayment required. If a producer uses money from the fund to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area.

Subd. 6. Sale of facility. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section.

Subd. 7. Other distributions. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within two years of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

EFFECTIVE DATE. This section is effective for distributions in 2008 and thereafter.

Sec. 5. Minnesota Statutes 2006, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2001, 2002, and 2003, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom. For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates produced in 2004.

(b) For concentrates produced in 2006 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore, no tax is imposed under this section. As used in this

paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before January 1, 2009.

Sec. 6. Minnesota Statutes 2006, section 298.25, is amended to read:

298.25 TAXES ADDITIONAL TO OCCUPATION TAX; IN LIEU OF OTHER TAXES.

The taxes imposed under section 298.24 shall be in addition to the occupation tax imposed upon the business of mining and producing iron ore. Except as herein otherwise provided, such taxes shall be in lieu of all other taxes upon such taconite, iron sulphides, and direct reduced ore or the lands in which they are contained, or upon the mining or quarrying thereof, or the production of concentrate or direct reduced ore therefrom, or upon the concentrate or direct reduced ore produced, or upon the machinery, equipment, tools, supplies and buildings used in such mining, quarrying or production, or upon the lands occupied by, or used in connection with, such mining, quarrying or production facilities. If electric or steam power for the mining, transportation or concentration of such taconite, concentrates or direct reduced ore produced therefrom is generated in plants principally devoted to the generation of power for such purposes, the plants in which such power is generated and all machinery, equipment, tools, supplies, transmission and distribution lines used in the generation and distribution of such power, shall not be considered to be machinery, equipment, tools, supplies and buildings used in the mining, quarrying, or production of taconite, taconite concentrates or direct reduced ore within the meaning of this section, and shall be subject to general property taxation. ~~If part of the power generated in such a plant is used for purposes other than the mining or concentration of taconite or direct reduced ore or the transportation or loading of taconite, the concentrates thereof or direct reduced ore, a proportionate share of the value of such generating facilities, equal to the proportion that the power used for such other~~

~~purpose bears to the generating capacity of the plant, shall be subject to the general property tax in the same manner as other property; provided, power generated in such a plant and exchanged for an equivalent amount of power which is used for the mining, transportation, or concentration of such taconite, concentrates or direct reduced ore produced therefrom, shall be considered as used for such purposes within the meaning of this section. Nothing herein shall prevent the assessment and taxation of the surface of reserve land containing taconite and not occupied by such facilities or used in connection therewith at the value thereof without regard to the taconite or iron sulphides therein, nor the assessment and taxation of merchantable iron ore or other minerals, or iron-bearing materials other than taconite or iron sulphides in such lands in the manner provided by law, nor the assessment and taxation of facilities used in producing sulphur or sulphur products from iron sulphide concentrates, or in refining such sulphur products, under the general property tax laws. Nothing herein shall except from general taxation or from taxation as provided by other laws any property used for residential or townsite purposes, including utility services thereto. This section does not provide an exemption from general property taxation for ore docks even if located at the site of a taconite production facility.~~

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 7. Minnesota Statutes 2006, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) 17.15 cents per taxable ton, plus the increase provided in paragraph (d), plus an amount equal to 3 cents per ton of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c), except as otherwise provided in paragraph (f).

(b) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) ~~13.72-16.72~~ cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the

initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Effective for the distribution in 2003 only, five percent of the distributions to school districts under paragraphs (b), (c), and (e); subdivision 6, paragraph (c); subdivision 11; and section 298.225, shall be distributed to the general fund. The remainder less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the Douglas J. Johnson economic protection trust fund created in section 298.292. Fifty percent of the amount distributed to the Douglas J. Johnson economic protection trust fund shall be made available for expenditure under section 298.293 as governed by section 298.296. Effective in 2003 only, 100 percent of the distributions to school districts under section 477A.15 less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the general fund.

EFFECTIVE DATE. This section is effective for distributions in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 298.28, subdivision 5, is amended to read:

Subd. 5. **Counties.** (a) 26.05 cents per taxable ton is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) ~~20.525~~ 15.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, ~~less any amount which is to be distributed pursuant to paragraph (e).~~ The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer

mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.

(d) ~~5.525~~ 10.525 cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in subdivision 2.

EFFECTIVE DATE. This section is effective for distributions in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 298.28, subdivision 10, is amended to read:

Subd. 10. **Increase.** (a) Except as provided in paragraph (b), beginning with distributions in 2000, the amount determined under subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in 2003, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) For distributions in 2005 and subsequent years, an amount equal to the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund established in section 298.2961, subdivision 4.

(c) For distributions in 2008 and subsequent years, if the amounts distributed under paragraphs (a) and (b) exceed the increased tax proceeds attributable to the increase in the implicit price deflator, less 3 cents per ton, they must be proportionately reduced so that the sum of those amounts equals the amount of those increased tax proceeds less 3 cents per ton.

Sec. 10. Minnesota Statutes 2006, section 298.292, subdivision 2, is amended to read:

Subd. 2. **Use of money.** Money in the Douglas J. Johnson economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan to a private enterprise shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved;

(2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; ~~and~~

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the Douglas J. Johnson economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the Douglas J. Johnson economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the Douglas J. Johnson economic protection trust fund; and

(5) to purchase forest land in the taconite assistance area under section 273.1341 to be held as a public trust for the benefit of the area for recreational uses and for economic purposes, including timber sales and gravel removal.

Money from the trust fund shall be expended only in or for the benefit of the taconite assistance area defined in section 273.1341.

Sec. 11. Minnesota Statutes 2006, section 298.2961, subdivision 4, is amended to read:

Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board, established under section 298.22.

(b) Distributions received in calendar year 2005 are allocated to the city of Virginia for improvements and repairs to the city's steam heating system.

(c) Distributions received in calendar year 2006 are allocated to a project of the public utilities commissions of the cities of Hibbing and Virginia to convert their electrical generating plants to the use of biomass products, such as wood.

(d) Distributions received in calendar year 2007 must be paid to the city of Tower to be used for the East Two Rivers project in or near the city of Tower.

(e) For distributions received in 2008, the first \$2,000,000 of the 2008 distribution must be paid to St. Louis County for deposit in its county road and bridge fund to be used for relocation of St. Louis County Road 715, commonly referred to as Pike River Road. The remainder of the 2008 distribution must be paid to the city of Virginia for extension and replacement of its water and sewer systems and the full amount of the distributions in 2009 and subsequent years is allocated for projects under section 298.223, subdivision 1.

Sec. 12. Minnesota Statutes 2006, section 298.2961, subdivision 5, is amended to read:

Subd. 5. **Public works and local economic development fund.** For distributions in 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would be allocated under section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as

the fiscal agent for the recipients for the specific purposes:

(1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for construction of a combined wastewater facility and notwithstanding section 298.28, subdivision 11, paragraph (a), or any other law, interest accrued on this money while held by St. Louis County shall also be distributed to the recipient;

(2) six cents per ton to the city of Eveleth to redesign and design and construct improvements to renovate its water treatment facility;

(3) one cent per ton for the East Range Joint Powers Board to acquire land for and to design a central wastewater collection and treatment system;

(4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;

(5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;

(6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;

(7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and Indiana Avenues and for repayment of a loan to the Minnesota Department of Employment and Economic Development;

(8) 0.4 cents per ton to the city of Keewatin for a new city well;

(9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous materials center;

(10) 0.9 cents per ton to Aitkin County Growth for an economic development project for peat harvesting;

(11) 0.4 cents per ton to the city of Nashauk to develop a comprehensive city plan;

(12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive plan;

(13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;

(14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake Environmental Learning Center;

(15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;

(16) 0.5 cents per ton to the Economic Development Authority of the city of Grand Rapids for planning for the North Central Research and Technology Laboratory;

(17) 0.6 cents per ton to the city of Bovey for sewer and water extension;

(18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and

(19) ten cents per ton to ~~an economic development authority in a city through which State Highway 1 passes, or a city in Independent School District No. 2142 that has an active mine,~~ the Iron Range Resources and Rehabilitation Board for deposit in a Highway 1 Corridor Account established by the board, to be distributed by the board to any of the cities of Babbitt, Cook, Ely, or Tower, for an economic development project projects approved by the Iron Range Resources and Rehabilitation

Board; notwithstanding section 298.28, subdivision 11, paragraph (a), or any other law, interest accrued on this money while held by St. Louis County or the board shall also be distributed to the recipient.

Sec. 13. Minnesota Statutes 2006, section 298.75, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

~~(1)~~ (a) "Aggregate material" ~~shall mean~~ means:

(1) nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, crushed rock, limestone, granite, and borrow, but only if the borrow is transported on a public road, street, or highway-, provided that nonmetallic aggregate material shall does not include dimension stone and dimension granite; and

(2) taconite tailings, crushed rock, and architectural or dimension stone and dimension granite removed from taconite mines.

Aggregate material must be measured or weighed after it has been extracted from the pit, quarry, or deposit.

~~(2)~~ (b) "Person" ~~shall mean~~ means any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

~~(3)~~ (c) "Operator" ~~shall mean~~ means any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

~~(4)~~ (d) "Extraction site" ~~shall mean~~ means a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

~~(5)~~ (e) "Importer" ~~shall mean~~ means any person who buys aggregate material produced from a county not listed in paragraph ~~(6)~~ (f) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

~~(6)~~ (f) "County" ~~shall mean~~ means the counties of Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

~~(7)~~ (g) "Borrow" ~~shall mean~~ means granular borrow, consisting of durable particles of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any combination thereof, the ratio of the portion passing the (#200) sieve divided by the portion passing the (1 inch) sieve may not exceed 20 percent by mass.

Sec. 14. Minnesota Statutes 2006, section 298.75, subdivision 3, is amended to read:

Subd. 3. **Report and remittance.** (a) By the 14th day following the last day of each calendar

quarter, every operator or importer shall make and file with the county auditor of the county in which the aggregate material is removed or imported, a correct report under oath, in such form and containing such information as the auditor shall require relative to the quantity of aggregate material removed or imported during the preceding calendar quarter. The report shall be accompanied by a remittance of the amount of tax due.

(b) If any of the proceeds of the tax is to be apportioned as provided in subdivision 2, the operator or importer shall also include on the report any relevant information concerning the amount of aggregate material transported, the tax and the county of destination. The county auditor shall notify the county treasurer of the amount of such tax and the county to which it is due. The county treasurer shall remit the tax to the appropriate county within 30 days, except as provided in paragraph (c).

(c) The proceeds of the tax on aggregate material as defined in subdivision 1, paragraph (a), clause (2), must be remitted to the commissioner of iron range resources and rehabilitation to be deposited in the taconite area environmental protection fund under section 298.223, and used for the purposes of that fund.

Sec. 15. Minnesota Statutes 2006, section 298.75, subdivision 7, is amended to read:

Subd. 7. **Proceeds of taxes.** All money collected as taxes under this section on aggregate material as defined in subdivision 1, paragraph (a), clause (1), shall be deposited in the county treasury and credited as follows, for expenditure by the county board:

(a) Sixty percent to the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads, highways and bridges;

(b) Thirty percent to the road and bridge fund of those towns as determined by the county board and to the general fund or other designated fund of those cities as determined by the county board, to be expended for maintenance, construction and reconstruction of roads, highways and bridges; and

(c) Ten percent to a special reserve fund which is hereby established, for expenditure for the restoration of abandoned pits, quarries, or deposits located upon public and tax forfeited lands within the county.

If there are no abandoned pits, quarries or deposits located upon public or tax forfeited lands within the county, this portion of the tax shall be deposited in the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads, highways and bridges.

Sec. 16. Minnesota Statutes 2006, section 298.75, is amended by adding a subdivision to read:

Subd. 11. **Tax may be imposed; Otter Tail County.** (a) If Otter Tail County does not impose a tax under this section and approves imposition of the tax under this subdivision, the town of Scambler in Otter Tail County may impose the aggregate materials tax under this section.

(b) For purposes of exercising the powers contained in this section, the "town" is deemed to be the "county."

(c) All provisions in this section apply to the town of Scambler, except that all proceeds of the tax must be retained by the town and used for the purposes described in subdivision 7.

(d) If Otter Tail County imposes an aggregate materials tax under this section, the tax imposed

by the town of Scambler under this subdivision is repealed on the effective date of the Otter Tail County tax.

EFFECTIVE DATE. This section is effective the day after the governing body of the town of Scambler and its chief clerical officer comply with section 645.021, subdivisions 2 and 3.

Sec. 17. IRON RANGE MEMORIAL FOREST.

Notwithstanding Minnesota Statutes, section 298.293, the Iron Range Resources and Rehabilitation Board under Minnesota Statutes, section 298.22, may expend funds from the principal of the Douglas J. Johnson economic protection trust fund under Minnesota Statutes, sections 298.291 to 298.294, to purchase forest lands. All forest lands purchased under this section must be held in trust for the benefit of the citizens of the taconite assistance area under Minnesota Statutes, section 273.1341, as the Iron Range Miners' Memorial Forest for the benefit of the area as provided under section 1.

Sec. 18. APPROPRIATIONS; DEPARTMENT OF EDUCATION.

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education. These appropriations are added to any appropriations for the same purpose in 2007 S.F. No. 2095 for the fiscal years indicated.

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

<u>\$</u>	<u>1,041,000</u>	<u>.....</u>	<u>2009</u>
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The 2009 appropriation includes \$1,041,000 for fiscal year 2008 and \$0 for fiscal year 2009.

Sec. 19. REPEALER.

Minnesota Statutes 2006, section 126C.21, subdivision 4, is repealed.

ARTICLE 8

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 85. **Tax-free renaissance zones.** (a) Property located in a tax-free renaissance zone designated under section 469.342 is exempt from ad valorem taxes levied under chapter 275.

(b) The exemption applies to each assessment year beginning during the duration of the zone or subzone. For the final three assessment years of the zone or subzone duration limit, the exemption applies to the following percentages of estimated market value of the property:

- (1) for the third to the last assessment year of the duration, 75 percent;
- (2) for the second to the last assessment year of the duration, 50 percent; and
- (3) for the last assessment year of the duration, 25 percent.

EFFECTIVE DATE. This section is effective for property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19b, as amended by Laws 2007, chapter 1, section 2, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

(7) 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;

(8) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational

foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

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

(12) the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota;

(13) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss

exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2); ~~and~~

(16) international economic development zone income as provided under section 469.325; and

(17) income of a qualified business derived from operations in a tax-free renaissance zone as provided under section 469.343.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 29, is amended to read:

Subd. 29. **Taxable income.** The term "taxable income" means:

(1) for individuals, estates, and trusts, the same as taxable net income;

(2) for corporations, the taxable net income less

(i) the net operating loss deduction under section 290.095;

(ii) the dividends received deduction under section 290.21, subdivision 4;

(iii) the exemption for operating in a job opportunity building zone under section 469.317;

(iv) the exemption for operating in a biotechnology and health sciences industry zone under section 469.337; ~~and~~

(v) the exemption for operating in an international economic development zone under section 469.326; and

(vi) the exemption for operating in a tax-free renaissance zone under section 469.343.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 4. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 34. **Tax-free renaissance zone; historic rehabilitation credit.** (a) A taxpayer who incurs costs that are eligible for a credit under section 47 of the Internal Revenue Code for the rehabilitation of a property in a tax-free renaissance zone, designated under section 469.342, is allowed a credit against the tax imposed under this chapter, including the taxes under sections 290.091 and 290.0922, equal to 25 percent of the federal credit for the taxable year.

(b) If the amount of the credit under this subdivision exceeds the tax liability under this chapter for the year in which the cost is incurred, the amount that exceeds the tax liability may be carried back to any of the three preceding taxable years or carried forward to each of the ten taxable years succeeding the taxable year in which the expense was incurred. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. The unused portion of the credit must be carried to the following taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 5. Minnesota Statutes 2006, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given:

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

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

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

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code:

(A) for taxable years beginning before January 1, 2006, to the extent that the deduction exceeds 1.0 percent of adjusted gross income;

(B) for taxable years beginning after December 31, 2005, to the full extent of the deduction.

For purposes of this clause, "adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code;

(ii) the medical expense deduction;

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

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

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

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

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

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7), (8), and (9);

less the sum of the amounts determined under the following:

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

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

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

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (9) to ~~(16)~~ (17).

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 6. Minnesota Statutes 2006, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (16), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause (19), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an

international economic development zone as provided under section 469.326.

(17) Alternative minimum taxable income excludes the income from operating in a tax-free renaissance zone as provided under section 469.343.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 7. Minnesota Statutes 2006, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

- (1) corporations exempt from tax under section 290.05;
- (2) real estate investment trusts;
- (3) regulated investment companies or a fund thereof; and
- (4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;
- (5) town and farmers' mutual insurance companies;
- (6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3;
- (7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310; ~~and~~
- (8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321. The exemption under this clause applies to taxable years beginning during the duration of the international economic development zone; and
- (9) an entity, if for the taxable year all of its property is located in a tax-free renaissance zone designated under section 469.342 and all of its payroll and its zone payroll as defined under section 469.343.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 8. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 40. Legal reference and data center facility. (a) Materials and supplies used or consumed in the construction, improvement, or expansion of a legal reference office and data center facility are exempt, if:

- (1) the facility is used for the development or provision of print or online versions of legal

reference products and services or consultative services; and

(2) the total capital investment made at the facility is at least \$100,000,000.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and refunded in the manner provided in section 297A.75, only after the following criteria have been met:

(1) a refund may not be issued until the owner of the legal reference and data center facility has certified to the Department of Employment and Economic Development that the legal reference and data center employs no fewer than 8,600 full-time equivalent workers at the facility;

(2) for each year that the owner of the legal reference and data center facility certifies to the Department of Employment and Economic Development that no fewer than 8,600 full-time equivalent workers residents are employed at the facility, the refund may be issued at a rate of 25 percent of the total allowable refund payable to date. Provided that the Department of Employment and Economic Development continues to certify that no fewer than 8,600 Minnesota full-time equivalent workers are employed at the facility, the commissioner of revenue may make annual payments of the remaining refund until all of the refund has been paid; and

(3) the first certification must occur within one year from the completion date of construction of the expansion of the legal reference and data center facility.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2006, and before January 1, 2012.

Sec. 9. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 41. **Biobusiness center.** Materials and supplies used or consumed in the initial construction of a biobusiness center building in the city of Rochester for which the city received funding for the related infrastructure under Laws 2006, chapter 258, section 21, subdivision 7, are exempt. Materials and supplies used to construct a parking ramp or related infrastructure are not exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007, and before December 30, 2009.

Sec. 10. Minnesota Statutes 2006, section 298.22, subdivision 7, is amended to read:

Subd. 7. **Project area development authority.** (a) In addition to the other powers granted in this section and other law and notwithstanding any limitations contained in subdivision 5, the commissioner, for purposes of fostering economic development and tourism within the Giants Ridge Recreation Area or the Ironworld Discovery Center area, may spend any money made available to the agency under section 298.28 to acquire real or personal property or interests therein by gift, purchase, or lease and may convey by lease, sale, or other means of conveyance or commitment any or all property interests owned or administered by the commissioner within such areas.

(b) In furtherance of development of the Giants Ridge Recreation Area or the Ironworld Discovery Center area, the commissioner may establish and participate in charitable foundations

and nonprofit corporations, including a corporation within the meaning of section 317A.011, subdivision 6.

(c) The term "Giants Ridge recreation area" refers to an economic development project area established by the commissioner in furtherance of the powers delegated in this section within St. Louis County in the ~~western~~ following portions of the town of White and ~~in the eastern portion of the westerly, adjacent, unorganized township~~ the city of Biwabik: Township 59 North, Range 15 West, Sections 7, 8, 17-20 and 29-32; Township 59 North, Range 16 West, Sections 6, 13, 24, 25 and 36; Township 58 North, Range 16 West, Section 1; and Township 58 North, Range 15 West, Sections 5 and 6.

(d) The term "Ironworld Discovery Center area" refers to an economic development and tourism promotion project area established by the commissioner in furtherance of the powers delegated in this section within St. Louis County in the south portion of the town of Balkan.

Sec. 11. Minnesota Statutes 2006, section 298.221, is amended to read:

298.221 RECEIPTS FROM CONTRACTS; APPROPRIATION.

(a) Except as provided in paragraph (c), all money paid to the state of Minnesota pursuant to the terms of any contract entered into by the state under authority of section 298.22 and any fees which may, in the discretion of the commissioner of Iron Range resources and rehabilitation, be charged in connection with any project pursuant to that section as amended, shall be deposited in the state treasury to the credit of the Iron Range Resources and Rehabilitation Board account in the special revenue fund and are hereby appropriated for the purposes of section 298.22.

(b) Notwithstanding section 16A.013, merchandise may be accepted by the commissioner of the Iron Range Resources and Rehabilitation Board for payment of advertising contracts if the commissioner determines that the merchandise can be used for special event prizes or mementos at facilities operated by the board. Nothing in this paragraph authorizes the commissioner or a member of the board to receive merchandise for personal use.

(c) All fees charged by the commissioner in connection with public use of the state-owned ski and golf facilities at the Giants Ridge Recreation Area and all other revenues derived by the commissioner from the operation or lease of those facilities and from the lease, sale, or other disposition of undeveloped lands at the Giants Ridge Recreation Area must be deposited into an Iron Range Resources and Rehabilitation Board account that is created within the state enterprise fund. All funds deposited in the enterprise fund account are appropriated to the commissioner to be expended, subject to approval of a majority of the board, as follows:

(1) to pay costs associated with the acquisition, development, or improvement of lands or the construction, equipping, operation, repair, or improvement of facilities within the Giants Ridge Recreation Area facilities or lands;

(2) to pay principal, interest and associated bond issuance, reserve, and servicing costs associated with the financing of the facilities acquisition, development, or improvement of lands or the construction, equipping, operation, repair, or improvement of facilities within the Giants Ridge Recreation Area; and

(3) to pay the costs of any other project or program within the Giants Ridge Recreation Area authorized under section 298.22.

Sec. 12. Minnesota Statutes 2006, section 298.2211, subdivision 1, is amended to read:

Subdivision 1. **Purpose; grant of authority.** In order to accomplish the legislative purposes specified in sections 469.142 to 469.165 and chapter 462C, within the taconite assistance area as defined in section 273.1341, the commissioner of Iron Range resources and rehabilitation may exercise the following powers: (1) all powers conferred upon a rural development financing authority under sections 469.142 to 469.149; (2) all powers conferred upon a city under chapter 462C; (3) all powers conferred upon a municipality or a redevelopment agency under sections 469.090 to 469.1082 and 469.152 to 469.165; (4) all powers conferred upon municipalities under sections 412.491, 450.31, and 471.15; (5) all powers provided by sections 469.142 to 469.151 to further any of the purposes and objectives of chapter 462C and sections 469.152 to 469.165; ~~(5)-(6)~~ apply for, borrow, receive, and expend grant and loan money made available from federal sources and from federally funded programs; and ~~(6)-(7)~~ all powers conferred upon a municipality or an authority under sections 469.174 to 469.177, 469.178, except subdivision 2 thereof, and 469.179, subject to compliance with the provisions of section 469.175, subdivisions 1, 2, and 3; provided that any tax increments derived by the commissioner from the exercise of this authority may be used only to finance or pay premiums or fees for insurance, letters of credit, or other contracts guaranteeing the payment when due of net rentals under a project lease or the payment of principal and interest due on or repurchase of bonds issued to finance a project or program, to accumulate and maintain reserves securing the payment when due on bonds issued to finance a project or program, or to provide an interest rate reduction program pursuant to section 469.012, subdivision 7, or as provided in section 298.221, paragraph (c), clauses (1) to (3). Tax increments and earnings thereon remaining in any bond reserve account after payment or discharge of any bonds secured thereby shall be used within one year thereafter in furtherance of this section or returned to the county auditor of the county in which the tax increment financing district is located. If returned to the county auditor, the county auditor shall immediately allocate the amount among all government units which would have shared therein had the amount been received as part of the other ad valorem taxes on property in the district most recently paid, in the same proportions as other taxes were distributed, and shall immediately distribute it to the government units in accordance with the allocation.

Sec. 13. Minnesota Statutes 2006, section 298.2211, is amended by adding a subdivision to read:

Subd. 7. **Tax increment financing district; special rules.** (a) Upon adoption of the development program for a project and a tax increment financing plan for a district or districts described in this section, the rules provided under this section apply to the project and district. For purposes of this subdivision, "project" means a project as defined in section 469.174, subdivision 8, to be established by the commissioner, that has boundaries that are coterminous with the Giants Ridge Recreation Area as defined in section 298.22, subdivision 7. For purposes of this subdivision, "district" means an economic development tax increment financing district established by the commissioner within the Giants Ridge Recreation Area.

(b) Each parcel within a project shall be deemed eligible for inclusion in an economic development tax increment financing district.

(c) Original net tax capacity means the total net tax capacities for taxes payable in 2007, of (i) all land within the district, except for the parcels known as the Lodge at Giants Ridge, the Villas at Giants Ridge, and the Woodlands; and (ii) the net tax capacities of the structures located on these parcels.

(d) Certification of the original net tax capacity under section 469.177, subdivision 1, does not apply.

(e) Captured net tax capacity means the total net tax capacities of (1) any structures located within the district, except for the parcels described in paragraph (c), and (2) the increased net tax capacities of the structures on these parcels after taxes payable year 2007.

(f) The certified original local tax rate for the district under section 469.177, subdivision 1a, does not apply.

(g) No tax increment may be paid to the commissioner after 12 years after receipt by the commissioner of the first tax increment.

(h) The five-year rule under section 469.1763, subdivision 3, does not apply.

(i) The limitations on spending increment outside of the district under section 469.1763, subdivision 2, do not apply, but increments may only be expended within the Giants Ridge Recreation Area.

(j) The authority to approve a tax increment financing plan to establish a district or districts under this section expires on December 31, 2023.

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

Sec. 14. Minnesota Statutes 2006, section 469.169, is amended by adding a subdivision to read:

Subd. 18. Additional border city allocations; 2007. (a) In addition to tax reductions authorized in subdivisions 7 to 17, the commissioner shall allocate \$750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. The city alternatively may elect to use any portion of the allocation provided in this paragraph for tax reductions under section 469.1732 or 469.1734.

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

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

Sec. 15. Minnesota Statutes 2006, section 469.312, is amended by adding a subdivision to read:

Subd. 6. Termination of designation of qualified business. No person will be deemed to be a qualified business eligible for the benefits provided in sections 469.310 to 469.320 unless the person has entered into a business subsidy agreement with a local government unit as provided in section 469.310, subdivision 11, prior to May 1, 2007.

Sec. 16. **[469.342] TAX-FREE RENAISSANCE ZONE; FERGUS FALLS.**

Subdivision 1. **Designation of zone.** The area of the campus of the former state regional treatment center in the city of Fergus Falls is designated a tax-free renaissance zone. The zone includes the five buildings and associated land that were acquired by the city prior to January 1, 2007.

Subd. 2. **Duration limit.** Designation of the zone is effective for 15 calendar years beginning on the date specified, by resolution, by the governing body of the city of Fergus Falls. The city may divide the area of the zone into subzones. If the city divides the zone into separate subzones, the duration of each subzone begins on the date specified by the resolution establishing the subzone. Each subzone has a duration of 15 calendar years, unless the authorizing resolution specifies a shorter limit. No subzone duration may begin later than January 1, 2013.

Subd. 3. **Tax incentives available in the zone.** Individuals that reside in the zone, qualified businesses that operate in the zone, and property located in the zone qualify for the following tax exemptions and incentives:

(1) exemption for business income from the individual income and corporate franchise taxes as provided under section 469.343;

(2) exemption from the property tax as provided in section 272.02, subdivision 85; and

(3) the historic preservation tax credit under section 290.06, subdivision 34.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Fergus Falls with section 645.021.

Sec. 17. **[469.343] BUSINESS INCOME TAX EXEMPTION.**

Subdivision 1. **Definitions.** (a) For purposes of this section and section 469.342, the following terms have the meanings given them.

(b) A "qualified business" is a person carrying on a trade or business at a place of business located within the zone that has entered into a business subsidy agreement, as defined in section 116J.994, with the city of Fergus Falls before the first day of the taxable year or the taxes payable year for purposes of the property tax exemption.

(c) "Zone" is the tax-free renaissance zone designated under section 469.342.

(d) "Zone payroll" is that portion of the payroll factor under section 290.191 that represents:

(1) wages or salaries paid to an individual for services performed in the zone; or

(2) wages or salaries paid to individuals working from offices within a zone if their employment requires them to work outside the zone and the work is incidental to the work performed by the individual within the zone.

(e) "Zone percentage" means the following fraction reduced to a percentage:

(1) the numerator of the fraction is: (i) the ratio of the taxpayer's property factor under section 290.191 located in the zone for the taxable year over the property factor numerator determined under section 290.191, plus (ii) the ratio of the taxpayer's zone payroll factor over the payroll factor numerator determined under section 290.191; and

(2) the denominator of the fraction is two.

When calculating the zone percentage for a business that is part of a unitary business as defined under section 290.17, subdivision 4, the denominator of the payroll and property factors is the Minnesota payroll and property of the unitary business as reported on the combined report under section 290.17, subdivision 4, paragraph (j).

Subd. 2. **Tax exemption.** (a) A qualified business is exempt from taxation under sections 290.01, 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone, designated under section 469.342.

(b) This exemption is determined as follows:

(1) for purposes of the individual income tax imposed under sections 290.01 and 290.091, the taxpayer may subtract an amount equal to the total income included in federal taxable income attributable to operation of a trade or business, multiplied by the zone percentage;

(2) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(3) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(4) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (9).

Subd. 3. **Application period.** (a) This section applies only to taxable years beginning during the duration of the tax-free renaissance zone or subzone.

(b) For the final three years of the duration of the zone or subzone, the deductions or exemptions under this section must be multiplied by the following percentages:

(1) for taxable years beginning during the third to the last calendar year of the duration, 75 percent;

(2) for taxable years beginning during the second to the last calendar year of the duration, 50 percent; and

(3) for taxable years beginning the last calendar year of the duration limit, 25 percent.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 18. [469.344] LIMIT ON TAX REDUCTIONS; APPLICATIONS REQUIRED.

Subdivision 1. **Businesses must apply.** To claim a tax credit under section 290.06, subdivision 34, or an exemption under section 469.343, a business must apply to the city for a tax benefit certificate. As a condition of its application, the business must agree to furnish information to the city that is sufficient to verify the eligibility for any credits or other tax reductions claimed. The total

amount of the state tax reductions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the city to the business. The city must verify the amount of tax reduction or credits for which each business is eligible.

Subd. 2. **City limitations.** (a) The city may provide tax benefit certificates to businesses that apply and meet the requirements for the tax credit and exemption. The certificates that the city may provide for the period covered by this section is limited to the amount specified in this subdivision.

(b) The maximum amount of tax credit certificates the city may issue over the duration of the program is \$1,000,000.

Subd. 3. **Appropriation; waivers.** An amount sufficient to fund any tax reductions under section 469.343, is appropriated to the commissioner of revenue from the general fund.

Sec. 19. Minnesota Statutes 2006, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. **Bloomington phase II computation.** Effective for property taxes payable in 2009 and thereafter, 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 by the auditor as the amount of the levy generated by the property included in phase II of the Mall of America project. The total areawide portion of the levy for the city of Bloomington, including the additional amount related to phase II of the Mall of America project 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. The additional distribution to the city of Bloomington under this subdivision terminates effective for the first taxes payable year after the cost of the parking facility for the phase II of the Mall of America project has been paid.

Sec. 20. Minnesota Statutes 2006, section 473F.08, subdivision 5, is amended to read:

Subd. 5. **Areawide tax rate.** On or before August 25 of each year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined under subdivisions 3, clause (a), 3a, and 3b, and 3c. The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of such levies from the areawide net tax capacity. On or before September 1 of each year, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

Sec. 21. Laws 1995, chapter 264, article 5, section 44, subdivision 4, as amended by Laws 1996, chapter 471, article 7, section 21, and Laws 1997, chapter 231, article 10, section 12, is amended to read:

Subd. 4. **Authority.** For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing replacement projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency or its successors and assigns. For housing replacement projects in the city of St. Paul, "authority" means the St. Paul housing and redevelopment authority. For housing replacement projects in the city of Duluth, "authority"

means the Duluth economic development authority. For housing replacement projects in the city of Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Richfield. For housing replacement projects in the city of Columbia Heights, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Columbia Heights.

EFFECTIVE DATE. This section is effective the day following final enactment and upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10, section 13, and Laws 2002, chapter 377, article 7, section 6, is amended to read:

Subdivision 1. **Creation of projects.** (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of ~~Minneapolis, St. Paul, and Duluth~~, each authority may designate not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. For the city of Minneapolis, the authority may designate not more than 400 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

EFFECTIVE DATE. This section is effective the day following final enactment and upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. Laws 1996, chapter 464, article 1, section 8, subdivision 3, is amended to read:

Subd. 3. **Special rules.** (a) Tax increment may not be captured by the port authority from the tax increment financing district on the met center property after December 31 of the year in which tax increments, assessments, and other revenues from the district and the accumulated increments from the district consisting of the Kelly property exceed the permitted expenditures under paragraph (d). The provisions of this paragraph apply beginning with the first calendar year after the conditions precedent in subdivision 2 are satisfied and construction has begun on improvements on the met

center site. No increments may, in any event, be collected from the tax increment financing district on the met center site after December 31, ~~2018~~ 2025.

(b) The provisions of Minnesota Statutes, section 273.1399, do not apply to the tax increment financing district on the met center property.

(c) The governing body of the city of Bloomington must elect the method of computation of tax increment specified in Minnesota Statutes, section 469.177, subdivision 3, paragraph (b), in the tax increment financing district on the met center property.

(d) Tax increments, assessments, and other revenues derived from the tax increment district on the met center property and any accumulated tax increments from the tax increment financing district on the Kelly property may be used to finance only the following:

(1) amounts that the city or port authority must pay to reimburse or otherwise pay the developer for public improvements because of counted value resulting from investment in property at the met center site under section 9.2(05) of the restated contract for purchase and private redevelopment of land, by and among the city of Bloomington, the port authority of the city of Bloomington, and the Mall of America Company, dated May 31, 1988;

(2) interest and other financing costs the city or port authority pays or incurs on, but that are not included in, the amounts under clause (1);

(3) interest and principal on qualified bonds to the extent that other available revenues and increments from other sources that are pledged to pay the bonds are insufficient. In determining whether other available revenues or increments are insufficient, spending of these revenues for only the following items reduce available revenues (all other revenues are deemed to be available):

(A) payment of debt service on bonds and obligations issued and sold before March 31, 1996;

(B) payments under binding written contracts in effect on March 31, 1996, to which the increments or other revenues are pledged; and

(C) reasonable administrative expenses, subject to the limits under Minnesota Statutes, section 469.176, subdivision 3; and

(4) reasonable administrative expenses as provided under Minnesota Statutes, sections 469.174 to 469.178. The amounts permitted under clauses (1) and (2) must be used to determine the limit or administrative expenses under Minnesota Statutes, section 469.176, subdivision 3.

For the purposes of paragraph (d), "qualified bonds" means:

(i) bonds or other obligations issued and sold before March 31, 1996, to which increments from the tax increment financing district consisting of the Kelly property are pledged; and

(ii) bonds or other obligations that refund bonds described in (i), if the refunding bonds do not increase the present value of the debt service payments secured by the increments and are secured by a pledge of the same increments and other revenues as secured by the bonds to be refunded.

For purposes of determining the qualifying ratio percent for counted value under the formula in section 9.2(05) of the restated contract under clause (1), investment in property at the met center site is deemed to be after or in addition to all the investment at other sites covered by the restated

contract.

Sec. 24. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended to read:

Sec. 23. GRANTS TO QUALIFYING BUSINESSES.

\$750,000 is appropriated in fiscal year 2006 from the general fund to the commissioner of employment and economic development to be distributed to the foreign trade zone authority to provide grants to qualified businesses as determined by the authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide incentives for the businesses to locate their operations in an international economic development zone. Of this appropriation, up to \$250,000 may be used by the commissioner for a study to determine the economic viability of business plans for international economic development zones. If the money is not distributed during fiscal year 2006, it remains available for distribution under this section during fiscal year 2007.

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

Sec. 25. CITY OF BLOOMINGTON; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENTS.

Subdivision 1. Addition of parcels to Tax Increment District No. 1-G. Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority of the city of Bloomington and the city of Bloomington may elect to eliminate certain real property from Tax Increment District No. 1-C within Industrial Development District No. 1 Airport South in the city of Bloomington, Minnesota, and expand the boundaries of Tax Increment District No. 1-G to include real property, which is described as follows:

(1) PARCEL A: Outlot A, MALL OF AMERICA 5TH ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota;

(2) PARCEL B: Lots 1 and 2, Block 1, MALL OF AMERICA 6TH ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota;

(3) PARCEL C: That part of Lindau Lane lying westerly of 24th Avenue South and lying easterly of State Highway No. 77;

(4) PARCEL D: Those parts of Lots 1, 2, and 3, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, which lie northerly of a line described as commencing at the most westerly northwest corner of said Lot 1; thence on an assumed bearing of South 4 degrees 10 minutes 55 seconds West, along the west line of said Lot 1, a distance of 58.60 feet to the point of beginning of the line to be described; thence South 89 degrees 59 minutes 29 seconds East a distance of 205.48 feet; thence South 62 degrees 16 minutes 23 seconds East a distance of 169.47 feet; thence North 44 degrees 01 minute 28 seconds East a distance of 249.76 feet; thence South 89 degrees 59 minutes 39 seconds East a distance of 88.47 feet; thence South 45 degrees 09 minutes 10 seconds East a distance of 225.13 feet; thence South 89 degrees 59 minutes 52 seconds East a distance of 303.62 feet; thence South 0 degrees 00 minutes 08 seconds West a distance of 10.00 feet; thence North 89 degrees 57 minutes 47 seconds East a distance of 55.90 feet; thence North 0 degrees 06 minutes 52 seconds West a distance of 10.01 feet; thence North 89 degrees 59 minutes 04 seconds East a distance of 332.04 feet; thence North 44 degrees 57 minutes 59 seconds East a distance of 251.28 feet; thence South 45 degrees 05 minutes 41 seconds East a distance of 267.55 feet; thence North 73 degrees 11 minutes 28 seconds

East a distance of 145.63 feet; thence South 89 degrees 59 minutes 38 seconds East a distance of 217.21 feet to the east line of said Lot 1 and said line there terminating;

(5) PARCEL E: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most southerly southwest corner of said Lot 1; thence on an assumed bearing of South 88 degrees 03 minutes 50 seconds East, along the south line of said Lot 1, a distance of 847.28 feet to the point of beginning of the parcel to be described; thence North 0 degrees 01 minutes 05 seconds West a distance of 307.69 feet; thence North 89 degrees 59 minutes 32 seconds East a distance of 163.77 feet; thence North 0 degrees 00 minutes 36 seconds East a distance of 10.17 feet; thence South 89 degrees 59 minutes 24 seconds East a distance 55.93 feet; thence South 0 degrees 02 minutes 42 seconds West a distance of 10.21 feet; thence South 89 degrees 59 minutes 24 seconds East a distance of 242.25 feet; thence South 0 degrees 00 minutes 36 seconds West a distance of 54.87 feet; thence South 62 degrees 14 minutes 23 seconds East a distance of 22.55 feet; thence South 45 degrees 05 minutes 26 seconds East a distance of 263.33 feet; thence South 0 degrees 12 minutes 39 seconds East a distance of 62.13 feet to said south line of Lot 1; thence westerly along said south line of Lot 1, a distance of 668.64 feet to the point of beginning;

(6) PARCEL F: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as beginning at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 490.00 feet; thence South 89 degrees 59 minutes 26 seconds East a distance of 69.49 feet; thence South 0 degrees 00 minutes 34 seconds West a distance of 488.70 feet; thence North 89 degrees 59 minutes 26 seconds West a distance of 105.14 feet to the point of beginning;

(7) PARCEL G: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance of 273.87 feet to the point of beginning of the parcel to be described; thence continuing South 89 degrees 58 minutes 59 seconds East a distance of 130.00 feet; thence South 0 degrees 01 minute 01 second West a distance of 216.53 feet; thence South 85 degrees 23 minutes 04 seconds East a distance of 1.70 feet; thence South 0 degrees 01 minute 01 second West a distance of 87.63 feet; thence South 83 degrees 20 minutes 10 seconds West a distance of 1.68 feet; thence South 0 degrees 01 minute 49 seconds East a distance of 216.46 feet; thence North 89 degrees 58 minutes 59 seconds West a distance of 130.21 feet; thence North 0 degrees 01 minute 01 second East a distance of 520.95 feet to the point of beginning, which lies above an elevation of 894.2 feet, Mean Sea Level Datum NGVD 1929 adjustment;

(8) PARCEL H: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance of 403.87 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.26 feet to the point of beginning of the parcel to be described; thence South 89 degrees 56 minutes 58 seconds West a distance of 61.26 feet; thence South 0 degrees 01 minute 01 second West a distance of 216.53 feet; thence South 85 degrees 23 minutes 04 seconds East a

distance of 1.70 feet; thence South 0 degrees 01 minute 01 second West a distance of 87.63 feet; thence South 83 degrees 20 minutes 10 seconds West a distance of 1.68 feet; thence South 0 degrees 01 minute 49 seconds East a distance of 216.46 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.15 feet to a line bearing South 0 degrees 00 minutes 24 seconds West from the point of beginning; thence North 0 degrees 00 minutes 24 seconds East a distance of 520.95 feet to the point of beginning;

(9) PARCEL I: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance of 403.87 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.26 feet; thence South 0 degrees 00 minutes 24 seconds West a distance of 5.54 feet to the point of beginning of the parcel to be described; thence continuing South 0 degrees 00 minutes 24 seconds West a distance of 300.00 feet; thence South 89 degrees 59 minutes 36 seconds East a distance of 123.79 feet; thence North 0 degrees 00 minutes 24 seconds East a distance of 299.98 feet; thence North 89 degrees 58 minutes 55 seconds West a distance of 123.79 feet to the point of beginning, which lies above an elevation of 877.6 feet, Mean Sea Level Datum NGVD 1929 adjustment;

(10) PARCEL J: That part of Lot 4, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, which lies above an elevation of 878.0 feet, Mean Sea Level Datum NGVD 1929 adjustment; and

(11) PARCEL K: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as beginning at the most southerly southeast corner of said Lot 1; thence on an assumed bearing of North 86 degrees 49 minutes 30 seconds West, along the south line of said Lot 1, a distance of 117.87 feet; thence North 0 degrees 01 minute 27 seconds East a distance of 293.98 feet; thence North 89 degrees 59 minutes 41 seconds East a distance of 213.38 feet to the east line of said Lot 1; thence southerly and westerly along said east and south lines of Lot 1, a distance of 357.03 feet to the point of beginning.

Subd. 2. **Original tax capacity of Tax Increment District No. 1-G.** Upon inclusion of the real property described above in the Tax Increment District No. 1-G, the Hennepin County auditor must increase the original tax capacity of Tax Increment District No. 1-G by \$.....

Subd. 3. **Use of increments.** All tax increments from Tax Increment District No. 1-G must be used for infrastructure costs.

Subd. 4. **Public hearing on district modification.** When the governing bodies of the port authority or the city elect to exercise the authority provided in subdivision 1 to modify the districts, they must conduct a public hearing after published notice on the issue, with the meeting beginning between 6:00 p.m. and 7:00 p.m. on a weeknight. Modification of the district must be approved by a unanimous vote of all members of the governing body who are present at the meeting.

Subd. 5. **Construction of Mall of America phase II.** The governing body of the city of Bloomington and the Bloomington port authority, as a condition of providing tax increments for infrastructure costs of the Mall of America phase II, must enter into an agreement with the developers of the project that ensures that the facility be, to the greatest extent practicable, constructed of American-made steel.

Subd. 6. **No strikes; lockouts.** The city or the port authority, together with the developer of the project, must negotiate a public sector project labor agreement or other agreement to prevent strikes and lockouts that would halt, delay, or impede construction of the facility.

Subd. 7. **No work stoppages; hospitality operations.** (a) As a result of tax increment financing the city of Bloomington has a financial or proprietary interest at risk in the Mall of American phase II development project, which is anticipated to include hospitality operations. This subdivision is intended to protect the city's proprietary and financial interests by requiring agreements that prevent disruption of hospitality operations due to work stoppages.

(b) For purposes of this subdivision, the following terms have the meanings given them:

(1) "contract" means:

(i) any development agreement, contract, lease, license, or other agreement pursuant to which the developer, contractor, or subcontractors receives financing for the project from the city directly or indirectly, including tax increment financing for infrastructure; or

(ii) any subcontract, sublease, sublicense or other transfer or assignment of any right, title, or interest received from the city pursuant to any such development agreement, contract, lease, or license; and

(2) "hospitality operations" means hotels or motels providing lodging and other guest accommodations and restaurants, bars, clubs, cafeterias, food, and beverage operations.

(c) To protect its proprietary and financial interests, the city of Bloomington shall require that each and every contractor and employer of employees hired to staff hospitality operations be or become signatory to valid collective bargaining agreements or other contracts under United States Code, title 29, section 185, with any labor organization seeking to represent hospitality workers employed in the contractor's and/or employer's hospitality operations in the Mall of America phase II development project as a condition precedent to its contract with the city of Bloomington. Each collective bargaining agreement or contract must contain a provision prohibiting the labor organization and its members, and in the case of a collective bargaining agreement, all employees covered by the agreement, from engaging in any picketing, work stoppages, boycotts or any other economic interference with the hospitality operations of contractor or any persons under contract to it for the duration of the time required for the repayment of the city's indebtedness incurred to finance the acquisition or development of such project, or for the duration of contractor's contract or contracts with the city for the operation of such development project, whichever period of time is more extensive. Each agreement must provide that during this time period, all disputes relating to employment conditions or the negotiation thereof shall be submitted to final and binding arbitration. Each and every contractor and employer of employees hired to staff hospitality operations shall require that any work under its contract or contracts with the city to be done by the contractor's or employer's contractors, subcontractors, tenants, or subtenants shall be done under collective bargaining agreements or other contracts under United States Code, title 29, section 185, containing the same provisions as specified above.

Subd. 8. **Living wage.** Any agreement to provide financial assistance to phase II of the Mall of America project must include a provision that requires payment of wages that meet the requirements of section 469.310, subdivision 11, paragraph (g), to persons employed on a full-time basis at the facility.

Subd. 9. **Affordable access.** To the extent determined by the governing body of the city or the port authority, any agreement to provide financial assistance to phase II of the Mall of America project must provide for affordable access to the amusement areas of the facility.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 26. CITY OF BLOOMINGTON; LOCAL TAXING AUTHORITY.

Subdivision 1. **Additional taxes authorized; use of proceeds.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision to the contrary, the governing body of the city of Bloomington may impose any or all of the taxes described in this section. The proceeds of any taxes imposed under this section, less refunds and the cost of collection, must be used to provide financing for a parking facility for the Mall of America phase II.

Subd. 2. **Sales tax.** The city may impose by ordinance a sales and use tax of up to one percent within a special taxing district that includes the geographic area included within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

Subd. 3. **Lodging tax.** The city may impose, by ordinance, a tax of up to one percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190.

Subd. 4. **Admissions and recreation tax.** The city may impose, by ordinance, a tax of up to one percent on admissions to entertainment and recreational facilities and rental of recreation equipment at sites within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington.

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

Sec. 27. BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT FINANCING.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the words and phrases defined have the meanings given them in this subdivision.

(b) "City" means the city of Burnsville.

(c) "Project area" means the area in the city bounded on the south, southeast, and southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest by the Minnesota River; and on the west by the westerly corporate limits of the city, together with a single parcel to the east of said Interstate Highway I-35W described as the North 1370 feet of the West 1075 feet of the NW Quarter of Section 34 Township 27 Range 24 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph.

(d) "Soil deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district require

substantial filling, grading, or other physical preparation for use; and

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soil condition district, or a soil deficiency district established by the city or a development authority of the city in the project area.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for any district.

(c) The limitations on spending tax increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be expended on improvements or activities within the project area.

(d) For a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district; and

(2) except as otherwise provided in this subdivision, increments may be used only to:

(i) acquire parcels on which the improvements described in clause (ii) will occur;

(ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and

(iii) pay for the administrative expenses of the authority allocable to the district.

(e) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of paragraph (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

(f) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires on December 31, 2017.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. **COLUMBIA HEIGHTS; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Definitions.** (a) "Housing revitalization district" means a single tax increment financing district established by the city of Columbia Heights and the Columbia Heights Economic Development Authority consisting of all the property included in the boundaries of tax increment financing district A3/C7.

(b) "Home rehabilitation program" means a program to provide grants or loans to finance costs of rehabilitation of single family and duplex dwellings located anywhere in the city that are:

(1) classified as homestead under Minnesota Statutes, chapter 273; and

(2) occupied by persons or families whose income is less than or equal to the income requirements for qualified mortgage revenue bond projects under section 143(f) of the Internal Revenue Code.

(c) "Home replacement program" means a program to pay eligible replacement costs associated with removal of substandard housing located anywhere in the city and the development of replacement housing.

(d) "Eligible replacement costs" means acquisition of substandard housing through voluntary purchase from willing sellers, relocation expenses, demolition, and site improvements related to construction of replacement housing.

(e) "Replacement housing" means residential developments containing fewer than five units.

(f) "Substandard housing" means residential property containing fewer than five units, whether or not classified as homestead, that is characterized by inadequate maintenance, dilapidation, physical damage, unsanitary conditions, or abandonment.

(g) "Downtown dump remediation" means removal or remediation, as those terms are defined in Minnesota Statutes, section 469.174, subdivision 18, of the property within the housing revitalization district described as follows: the South 180 feet of the North 330 feet of Block 4, Walton's Rearrangement of Lots 33 and 34, Block 6, Reservoir Hills, except the East 165 feet thereof, according to the recorded plat thereof, and situated in Anoka County, Minnesota; and Block 4, Walton's Rearrangement of Lots 33 and 34, Block 6, Reservoir Hills, excepting therefrom however, the two following described tracts: Tract 1, the North 330 feet thereof; Tract 2, commencing at the southwest corner of Block 4, Walton's Rearrangement of Lots 33 and 34, Block 6, Reservoir Hills; thence northerly along the west line of said Block 4, 100 feet; thence easterly parallel with the south line of said Block 4, 183 feet; thence southerly parallel with the west line of said Block 4, 100 feet to a point within said south boundary line; thence westerly along the south line of said Block 4, 183 feet to the point of beginning, according to the plat thereof on file or of record in the office of the County Recorder, Anoka County, Minnesota; and that part of Block numbered 4, of Walton's Rearrangement of Lots 33 and 34, Block 6, Reservoir Hills, described as follows: commencing at the southwest corner of Block 4, Walton's Rearrangement of Lots 33 and 34, Block 6, Reservoir Hills; thence northerly along the west line of said Block 4, 100 feet; thence easterly parallel with the south line of said Block 4, 183 feet; thence southerly parallel with the west line of said Block 4, 100 feet to a point within said south boundary line; thence westerly along the south line of said Block 4, 183 feet to the point of beginning, Anoka County, Minnesota.

Subd. 2. **Establishment of housing revitalization district.** The city and authority may establish the housing revitalization district notwithstanding the inclusion of that property in tax increment financing district A3/C7 at the time of approval of the tax increment financing plan. To establish the housing revitalization district, the city and authority shall adopt a tax increment financing plan and otherwise comply with the requirements of Minnesota Statutes, section 469.175, except that the determinations set forth in Minnesota Statutes, section 469.175, subdivision 3, paragraph (b), clauses (1) and (2), item (ii), are not required.

Subd. 3. **Special rules.** (a) The housing revitalization district is subject to the provisions of Minnesota Statutes, sections 469.174 to 469.1799, except as otherwise provided in this section.

(b) The original net tax capacity of the housing revitalization district is the same as the original net tax capacity of the A3/C7 district as of the date of approval of the tax increment financing plan for the housing revitalization district, subject thereafter to all adjustments pursuant to Minnesota Statutes, section 469.177, subdivisions 1 and 7, but not subject to the adjustments under Minnesota Statutes, section 469.177, subdivision 4.

(c) For the purposes of Minnesota Statutes, section 469.177, subdivision 1a, the original local tax rate is the rate in effect for taxes payable in 2010.

(d) The city may elect the method of computation under Minnesota Statutes, section 469.177, subdivision 3, paragraph (a) or (b), and all other provisions of Minnesota Statutes, section 469.177, subdivision 3, apply, except that the first calculation and payment of tax increment from the housing revitalization district shall be based on the net capacity assessed in 2009 for taxes payable in 2010.

(e) Increments from the housing revitalization district may be expended only to pay or reimburse the costs of a home rehabilitation program, a home replacement program, and downtown dump remediation, whether such costs are incurred before or after the establishment of the district.

(f) Minnesota Statutes, section 469.1763, does not apply to the housing revitalization district.

(g) No tax increment from the housing revitalization district shall be paid to the city or authority after 25 years from the date of receipt by the authority of the first increment in accordance with paragraph (d).

(h) Minnesota Statutes, section 469.176, subdivision 6, does not apply to the housing revitalization district.

(i) If tax increments from the housing revitalization district are expended to pay downtown dump remediation costs, then notwithstanding the city of Columbia Heights ordinance 1490, city code chapter 9, land use article 1, zoning and land development section 9.110, the only permitted uses on parcels where tax increments are spent are those set forth in the following provisions of that section: subsection (F)(2)(a), (e), (i), (n), (q), (s), (t), but only if the occupant has no liquor license other than a class B license, (u), (y), (z), (aa), unless it is a consignment sale facility as described in section 9.107, subsection (c)(12), (bb), or (ee), and permitted accessory uses set forth in subsection (F)(4).

Subd. 4. **Expiration.** The authority to approve a tax increment financing plan to establish the housing revitalization district under this act expires on December 31, 2008.

Subd. 5. **Applicability of other laws.** (a) References in Minnesota Statutes to tax increment financing districts created and tax increment generated under Minnesota Statutes, sections 469.174 to 469.1799, include the housing revitalization district subject to this section.

(b) For the purposes of Minnesota Statutes, section 469.1782, this section does not extend the duration of an existing district or allow establishment of a new district with a longer duration limit than that permitted by general law.

EFFECTIVE DATE. This section is effective upon compliance by the city of Columbia Heights with Minnesota Statutes, section 645.021.

Sec. 29. **TAX INCREMENT FINANCING; CITY OF DAYTON.**

Subdivision 1. **Authority.** The city of Dayton may establish an economic development tax

increment financing district under the authority provided in this section. The city may include area with the jurisdiction of the town of Hassan to the extent authorized by a joint powers agreement with the town. This district must be established within the area defined in subdivision 2 and is subject to the special rules under subdivision 3.

Subd. 2. **Defined area.** The district must be established within the area defined as the southwestern corner of the city of Dayton bounded by Brockton Lane (also known as Hennepin County Road 101) to the west, 109th Avenue North to the south, Hennepin County Highway 81 diagonally to the north and east from 109th Avenue northwesterly to a line 120 feet east of the extension of York Avenue northerly to a line 120 feet north of Gay Wood Drive and then west to Brockton Lane (Hennepin County Road 101). The area within the jurisdiction of the town of Hassan that may be included in the district is limited to and defined as all the land within the town of Hassan north of 109th Avenue North, east of Fletcher Lane (also known as Hennepin County Road 116), south of I-94 and west of Brockton Lane (Hennepin County Road 101).

Subd. 3. **Special rules.** The district is subject to the rules under Minnesota Statutes, sections 469.174 to 469.1799, with the following exceptions:

(1) the city need not make the findings required by Minnesota Statutes, section 469.174, subdivision 12;

(2) the restrictions on the expenditures of increments under Minnesota Statutes, section 469.176, subdivision 4c, do not apply;

(3) the provisions of Minnesota Statutes, section 469.176, subdivision 5, do not apply to the district;

(4) the provisions of section 469.176, subdivision 7, do not apply to the district;

(5) the district's tax increments must be used only to pay for the costs related to the Brockton interchange project, including land acquisition, public infrastructure, and administrative costs, whether paid directly or to reimburse for payment of those costs or to repay bonds or other obligations issued and sold to pay those costs initially; and

(6) for purposes of any joint powers agreement authorized by this section, the town of Hassan is deemed to have all the powers of an authority, as defined in Minnesota Statutes, section 469.174, subdivision 2.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Dayton and by the board of supervisors of the town of Hassan with Minnesota Statutes, section 645.021.

Sec. 30. CITY OF EAGAN; TAX INCREMENT FINANCING DISTRICT.

Subdivision 1. **Authorization; location.** The city of Eagan may establish within the corporate boundaries of the city one or more economic development tax increment financing districts subject to the special rules under subdivision 2. The districts must be located within the "area" defined for purposes of this section as Section 13, Township 27, Range 23, Dakota County, Minnesota.

Subd. 2. **Special rules.** (a) If the city elects upon adoption of the tax increment financing plan for the district, the rules under this subdivision apply to the district.

(b) The limitations in Minnesota Statutes, section 469.176, subdivision 4c, on spending increment for developments more than 15 percent of the square footage of which is used for purposes other than those listed in that subdivision, do not apply.

(c) Increments may be expended on surface parking, sanitary sewer, storm sewer, water, and street improvements inside and outside the area whether or not included in a tax increment financing district, and without regard to any limitations in Minnesota Statutes, section 469.1763, subdivision 2, if the improvements are related to development within the area and on administrative expenses.

Subd. 3. **Expiration of authority.** The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires on December 31, 2008.

EFFECTIVE DATE. This section is effective upon compliance by the city of Eagan with Minnesota Statutes, section 645.021.

Sec. 31. **CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX INCREMENT FINANCING DISTRICTS.**

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

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

Sec. 32. **CITY OF FARIBAULT; TAX INCREMENT FINANCING EXPENDITURES.**

Notwithstanding the provisions of Minnesota Statutes, section 469.1764, or any other law, the city of Faribault is authorized to expend revenues derived from the city of Faribault's Original 1981 Tax Increment District (1 West, 2 North, 3 Central, and 4 East) for the costs of sidewalk, streetscape (surface treatment and lighting), water, sanitary sewer, and storm sewer utility improvements, and parking improvement related expenses in the city of Faribault's downtown improvement district, an area defined and bounded as follows: beginning at the corner of the intersection of the Western Railroad Properties Inc. (formerly Chicago, Rock Island, and Pacific Railroad Company) railroad right of way and West Division Street; from such intersection travel on West Division Street to the intersection of West Division Street and 1st Avenue NW; travel on 1st Avenue NW to 2nd Street NW; travel on Second Street NW to 2nd Avenue NW; travel on 2nd Avenue NW to 5th Street NW; travel on 5th Street NW to 1st Avenue NW; travel on 1st Avenue NW to 6th Street NW; travel on 6th Street NW to its intersection with the Western Railroad Properties Inc. (formerly Chicago, Rock Island, and Pacific Railroad Company) railroad right of way; travel on the Western Railroad Properties Inc. (formerly Chicago, Rock Island, and Pacific Railroad Company) railroad right of way to its intersection with West Division Street, all in the city of Faribault.

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

Sec. 33. **CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city elects upon the adoption of a tax increment financing plan for a district, the rules under this section apply to a redevelopment tax increment financing district established by the city of Fridley or the housing and redevelopment authority of the city. The redevelopment tax increment district includes the following parcels and adjacent railroad property and shall be referred to as the Northstar Transit Station District: parcel numbers 223024120010, 223024120009, 223024120017, 223024120016, 223024120018, 223024120012, 223024120011, 223024120005, 223024120004, 223024120003, 223024120013, 223024120008, 223024120007, 223024120006, 223024130005, 223024130010, 223024130011, 223024130003, 153024440039, 153024440037, 153024440041, 153024440042, 223024110013, 223024110016, 223024110017, 223024140008, 223024130002, 223024420004, 223024410002, 223024410003, 223024110008, 223024110007, 223024110019, 223024110018, 223024110003, 223024140003, 223024140009, 223024140002, 223024140010, and 223024410007.

(b) The requirements for qualifying a redevelopment tax increment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the Northstar Transit Station District, which are deemed eligible for inclusion in a redevelopment tax increment district.

(c) In addition to the costs permitted by Minnesota Statutes, section 469.176, subdivision 4j, eligible expenditures within the Northstar Transit Station District include those costs necessary to provide for the construction and land acquisition for a tunnel under the Burlington Northern Santa Fe railroad tracks.

(d) Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, the city of Fridley may expend increments generated from its tax increment financing districts Nos. 11, 12, and 13 for costs permitted by paragraph (c) and Minnesota Statutes, section 469.176, subdivision 4j, outside the boundaries of tax increment financing districts Nos. 11, 12, and 13, but only within the Northstar Transit Station District.

(e) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, does not apply to the Northstar Transit Station District or to tax increment financing districts Nos. 11, 12, and 13.

(f) The use of revenues for decertification under Minnesota Statutes, section 469.1763, subdivision 4, does not apply to tax increment financing districts Nos. 11, 12, and 13.

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

Sec. 34. CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING; EXPENDITURES OUTSIDE DISTRICT.

Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, the city of New Brighton may expend increments generated from its tax increment financing district No. 26 to facilitate eligible activities as permitted by Minnesota Statutes, section 469.176, subdivision 4e, outside the boundaries of tax increment financing district No. 26, but only within the area described in Laws 1998, chapter 389, article 11, section 24, subdivision 1, and commonly referred to as the Northwest Quadrant. Minnesota Statutes, section 469.1763, subdivisions 3 and 4, do not apply to expenditures permitted by this section.

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

Sec. 35. NORTH ST. PAUL; TRANSFER OF TAX INCREMENTS.

(a) Notwithstanding any limitations under Minnesota Statutes, section 469.1763, subdivision 2, the city of North St. Paul may expend available increments from Tax Increment Financing Districts Nos. 3-1, 1, 4-2, 4-3, and 4-4 for eligible activities among the districts and for any district outside of those districts but within the defined redevelopment project area.

(b) For the purposes of Minnesota Statutes, section 469.1763, subdivision 3, expenditures within Tax Increment Financing Districts Nos. 3-1, 1, 4-2, 4-3, and 4-4 are considered to have been expended on an activity within the districts if a qualifying action occurs within 12 years after certification of the respective district.

EFFECTIVE DATE. This section is effective upon local approval by the governing body of the city of North St. Paul and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. USE OF APPROPRIATION.

To the extent that money appropriated to the commissioner of administration in Laws 2006, chapter 258, section 18, for redevelopment, reuse, or demolition of Department of Human Services campuses, is unencumbered, the commissioner of administration must distribute \$1,000,000 of that money on June 1, 2007, to the city of Fergus Falls for use by the city to provide security, heat, and utility service to the site of the Fergus Falls Regional Treatment Center.

Sec. 37. REPEALER.

Laws 1998, chapter 389, article 11, section 18, is repealed.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Burnsville. The balance of tax increments derived from tax increment financing district No. 2-1 as of the effective date of this section must be returned to the county for distribution in accordance with Minnesota Statutes, section 469.176, subdivision 2.

ARTICLE 9

PUBLIC FINANCE

Section 1. Minnesota Statutes 2006, section 118A.03, subdivision 3, is amended to read:

Subd. 3. **Amount.** The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit ~~plus accrued interest~~ at the close of the financial institution's banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit ~~plus accrued interest~~ at the close of the financial institution's banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

Sec. 2. Minnesota Statutes 2006, section 123B.61, is amended to read:

123B.61 PURCHASE OF CERTAIN EQUIPMENT.

The board of a district may issue general obligation certificates of indebtedness or capital notes subject to the district debt limits to: (a) purchase vehicles, computers, telephone systems, cable equipment, photocopy and office equipment, technological equipment for instruction, and other capital equipment having an expected useful life at least as long as the terms of the certificates or notes; (b) purchase computer hardware and software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer; and (c) prepay special assessments. The certificates or notes must be payable in not more than five ten years and must be issued on the terms and in the manner determined by the board, except that certificates or notes issued to prepay special assessments must be payable in not more than 20 years. The certificates or notes may be issued by resolution and without the requirement for an election. The certificates or notes are general obligation bonds for purposes of section 126C.55. A tax levy must be made for the payment of the principal and interest on the certificates or notes, in accordance with section 475.61, as in the case of bonds. The sum of the tax levies under this section and section 123B.62 for each year must not exceed the lesser of the amount of the district's total operating capital revenue or the sum of the district's levy in the general and community service funds excluding the adjustments under this section for the year preceding the year the initial debt service levies are certified. The district's general fund levy for each year must be reduced by the sum of (1) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on the certificates or notes issued under this section as required by section 475.61, (2) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on bonds issued under section 123B.62, and (3) any excess amount in the debt redemption fund used to retire bonds, certificates, or notes issued under this section or section 123B.62 after April 1, 1997, other than amounts used to pay capitalized interest. If the district's general fund levy is less than the amount of the reduction, the balance shall be deducted first from the district's community service fund levy, and next from the district's general fund or community service fund levies for the following year. A district using an excess amount in the debt redemption fund to retire the certificates or notes shall report the amount used for this purpose to the commissioner by July 15 of the following fiscal year. A district having an outstanding capital loan under section 126C.69 or an outstanding debt service loan under section 126C.68 must not use an excess amount in the debt redemption fund to retire the certificates or notes.

Sec. 3. Minnesota Statutes 2006, section 331A.05, subdivision 2, is amended to read:

Subd. 2. **Time of notice.** Unless otherwise specified by a ~~particular statute~~ law, or by order of a court, publication of a public notice shall be as follows:

- (a) the notice shall be published once;
- (b) if the notice is intended to inform the public about a future event, the last publication shall occur not more than 14 30 days and not less than seven days before the event;
- (c) if the notice is intended to inform the public about a past action or event, the last publication shall occur not more than 45 days after occurrence of the action or event.

Sec. 4. Minnesota Statutes 2006, section 365A.02, is amended to read:

365A.02 ~~DEFINITION~~ DEFINITIONS.

Subdivision 1. **Subordinate service district.** "Subordinate service district" means a defined area within the town in which ~~one or more governmental services or additions to townwide~~ special services are provided by the town specially for the area and financed from revenues from the area. The boundaries of a single subordinate service district may not embrace an entire town.

Subd. 2. **Special services.** "Special services" means one or more governmental services or additions to townwide services provided by the town specially for the area and financed from revenues from the area.

Sec. 5. Minnesota Statutes 2006, section 365A.04, is amended to read:

365A.04 CREATION BY PETITION.

Subdivision 1. **Petition.** A petition signed by at least 50 percent of the property owners in the part of the town proposed for the subordinate service district may be submitted to the town board requesting the establishment of a subordinate service district to provide a service that the town is otherwise authorized by law to provide. The petition must include the territorial boundaries of the proposed district and specify the kinds of services to be provided within the district.

Subd. 1a. **Creation by town board.** The town board may establish a subordinate service district in a portion of the town by adoption of a resolution, subject to the requirements of subdivision 2.

Subd. 2. **Public hearing.** Upon receipt of the petition, and the verification of the signatures by the town clerk or prior to adoption of the resolution specified in subdivision 1a, the town board shall, within 30 days following verification or prior to adoption of the resolution specified in subdivision 1a, hold a public hearing on the question of whether or not the requested district shall be established. The notice of public hearing must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the requested district. The notice of public hearing must be published once in a newspaper of general circulation in the town at least 14 days prior to the date of the public hearing.

Subd. 3. **Approval; disapproval.** Within 30 days after the public hearing, the town board by resolution shall approve or disapprove the establishment of the requested district. An approving resolution must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the district. A resolution approving the establishment of the district may contain amendments or modifications of the district's boundaries or functions as set forth in the petition or the resolution specified in subdivision 1a.

Sec. 6. Minnesota Statutes 2006, section 365A.08, is amended to read:

365A.08 FINANCING.

Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the creation of a subordinate service district the town board shall include in the budget appropriate provisions for the operation of the district including either a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a service charge against the users of the service within the district, or a combination of a property tax and a service charge on the users of the service.

(b) A tax or service charge or a combination of them may be imposed to finance a function or service in the district that the town ordinarily provides throughout the town only to the extent

that there is an increase in the level of the function or service provided in the service district over that provided throughout the town. In that case, in addition to the townwide tax levy, an amount necessary to pay for the increase in the level of the function or service may be imposed in the district.

Subd. 2. **Bonds.** At any time after the requirements of section 356A.06 have been met and the subordinate service district created, the town board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations are payable primarily out of the proceeds of the taxes and service charges imposed under subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The town board may by resolution pledge the full faith credit and taxing power of the town to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations is not included in determining the net indebtedness of the town under the provisions of any law limiting indebtedness.

Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance of general or special obligations and pledging taxes and service charges imposed under subdivision 1, net revenues, or special assessments to their payment, the town board may make covenants for the protection of holders of the obligations and taxpayers of the town as it deems necessary, including a covenant that the town will impose and collect charges of the nature authorized by this chapter at the time and in the amounts required to produce, together with any taxes or special assessments designated as a primary source of payment of the obligations, funds adequate to pay all principal and interest when due on the obligations, and to create and maintain reserves securing the payments as may be provided in the resolutions.

Sec. 7. Minnesota Statutes 2006, section 365A.095, is amended to read:

365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.

Subdivision 1. **Petition.** A petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Subd. 2. **Bonds.** If obligations have been issued for the benefit of the subordinate service district, the rates, charges, and tax levies, if any, shall continue until the obligations and any obligations issued to refund them have been paid in full.

Sec. 8. Minnesota Statutes 2006, section 373.01, subdivision 3, is amended to read:

Subd. 3. **Capital notes.** (a) A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner the board

determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(b) For purposes of this subdivision, "capital equipment" means:

- (1) public safety, ambulance, road construction or maintenance, and medical equipment; and
- (2) computer hardware and software, whether bundled with machinery or equipment or unbundled. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

Sec. 9. Minnesota Statutes 2006, section 375B.09, is amended to read:

375B.09 FINANCING.

Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the creation of a subordinate service district the county board shall include in the budget appropriate provisions for the operation of the district including, as appropriate, either a property tax levied only on property within the boundaries of the district or a levy of a service charge against the users of the service within the district, or any combination of a property tax and a service charge.

(b) A tax or service charge or a combination thereof shall not be imposed to finance a function or service in the subordinate service district which the county generally provides throughout the county unless an increase in the level of the service is to be supplied in the subordinate service district in which case, in addition to the countywide tax levy, only an amount necessary to pay for the increased level of service may be imposed.

Subd. 2. **Bonds.** At any time after the requirements of section 375B.07 have been met and the subordinate service district created, the county board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations shall be payable primarily out of the proceeds of the taxes and service charges imposed pursuant to subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The county board may by resolution pledge the full faith credit and taxing power of the county to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations is not included in determining the net indebtedness of the county under the provisions of any law limiting indebtedness.

Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance of general or special obligations and pledging taxes and service charges imposed under subdivision 1, net revenues, or special assessments to their payment, the county board may make covenants for the protection of holders of the obligations and taxpayers of the county as it deems necessary, including a covenant that the county will impose and collect charges of the nature authorized by this chapter at the time and in the amounts required to produce, together with any taxes or special assessments designated as a primary source of payment of the obligations, funds adequate to pay all principal and interest when due on the obligations and to create and maintain reserves securing the payments as may be provided in the resolutions.

Subd. 4. **Continuance in the event of withdrawal.** If obligations have been issued for the benefit of the subordinate service district, and the district is withdrawn or removed pursuant to either section 375B.10 or 375B.11, the rates, charges, and tax levies, if any, in the withdrawn or removed district must continue until the obligations and any obligations issued to refund them have been paid in full.

Sec. 10. Minnesota Statutes 2006, section 383B.117, subdivision 2, is amended to read:

Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and without public referendum, issue capital notes within existing debt limits for the purpose of purchasing ambulance and other medical equipment, road construction or maintenance equipment, public safety equipment and other capital equipment having an expected useful life at least equal to the term of the notes issued. The notes shall be payable in not more than five ten years and shall be issued on terms and in a manner as the board determines. The total principal amount of the notes issued for any fiscal year shall not exceed one percent of the total annual budget for that year and shall be issued solely for the purchases authorized in this subdivision. A tax levy shall be made for the payment of the principal and interest on such notes as in the case of bonds. For purposes of this subdivision, "equipment" includes computer hardware and software, whether bundled with machinery or equipment or unbundled. For purposes of this subdivision, the term "medical equipment" includes computer hardware and software and other intellectual property for use in medical diagnosis, medical procedures, research, record keeping, billing, and other hospital applications, together with application development services and training related to the use of the computer hardware and software and other intellectual property, all without regard to their useful life. For purposes of determining the amount of capital notes which the county may issue in any year, the budget of the county and Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this subdivision shall be in addition to obligations issuable under section 373.01, subdivision 3.

Sec. 11. Minnesota Statutes 2006, section 410.32, is amended to read:

410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in

accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 12. Minnesota Statutes 2006, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 13. Minnesota Statutes 2006, section 453A.02, subdivision 3, is amended to read:

Subd. 3. **City.** "City" means a city organized and existing under the laws of Minnesota or a city charter adopted pursuant thereto, and authorized by such laws or charter to engage in the local distribution and sale of gas, provided that any city so engaged on January 1, 1979 is authorized to continue such distribution and sale, and every city now or hereafter so authorized may exercise, either individually or as a member of a municipal gas agency, all of the powers granted in sections 453A.01 to 453A.12.

"City" also includes a city organized and existing under the laws of another state or a city charter adopted pursuant thereto which participates in a municipal gas agency with Minnesota cities.

Sec. 14. **[471.6175] TRUST FOR POSTEMPLOYMENT BENEFITS.**

Subdivision 1. **Authorization; establishment.** A political subdivision or other public entity that creates or has created an actuarial liability to pay postemployment benefits to employees or officers after their termination of service may establish a trust to pay those benefits. For purposes of this section, the term "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting Standards Board and the term "trust" means a trust, a trust account, or a custodial account or contract authorized under section 401(f) of the Internal Revenue Code.

Subd. 2. **Purpose of trust.** The trust established under this section may only be used to pay postemployment benefits and may be either revocable or irrevocable.

Subd. 3. **Trust administrator.** The trust administrator of a trust established under this section shall be either:

- (1) the Public Employees Retirement Association;
- (2) a bank or banking association incorporated under the laws of the United States or of any state and authorized by the laws under which it is organized to exercise corporate trust powers; or
- (3) an insurance company or agency qualified to do business in Minnesota which has at least five years' experience in investment products and services for group retirement benefits and which has a specialized department dedicated to services for retirement investment products.

A political subdivision or public entity may, in its discretion and in compliance with any applicable trust document, change trust administrators and transfer trust assets accordingly.

Subd. 4. **Account maintenance.** A political subdivision or other public entity may establish a trust account to be held under the supervision of the trust administrator for the purposes of this section. A trust administrator shall establish a separate account for each participating political subdivision or public entity. The trust administrator may charge participating political subdivisions and public entities fees for reasonable administrative costs. A trust administrator may establish other reasonable terms and conditions for creation and maintenance of these accounts. The trust administrator must report to the political subdivision or other public entity on the investment returns of invested trust assets and on all investment fees or costs incurred by the trust. The annual rates of return, along with investment and administrative fees and costs for the trust, must be disclosed in the political subdivision's or public entity's annual financial audit in a manner prescribed by the state auditor.

Subd. 5. **Investment.** (a) The assets of a trust or trust account shall be invested and held as stipulated in paragraphs (b) to (e).

(b) The Public Employees Retirement Association must certify all money in the trust accounts for which it is trust administrator to the State Board of Investment for investment created under section 11A.14, subject to the policies and procedures established by the State Board of Investment. Investment earnings must be credited to the trust account of the individual political subdivision or public entity.

(c) A trust administrator, other than the Public Employees Retirement Association, must ensure that all money in the trust accounts for which it is trust administrator is invested by a registered

investment adviser, a bank investment trust department or an insurance company or agency retirement investment department. Investment earnings must be credited to the trust account of the individual political subdivision or public entity.

(d) For trust assets invested by the State Board of Investment, the investment restrictions shall be the same as those generally applicable to the State Board of Investment. For trust assets invested by a trust administrator other than the Public Employees Retirement Association, the assets may only be invested in investments authorized under chapter 118A or section 356A.06, subdivision 7, in the manner specified in the applicable trust document.

(e) A political subdivision or public entity may provide investment direction to a trust administrator in compliance with any applicable trust document.

Subd. 6. **Limit on deposit.** A political subdivision or public entity may not deposit money in a trust or trust account created pursuant to this section if the total amount invested by that political subdivision or public entity would exceed the political subdivision's or public entity's actuarially determined liabilities for postemployment benefits due to officers and employees, as determined under the applicable standards of the Governmental Accounting Standards Board.

Subd. 7. **Withdrawal of funds and termination of account.** (a) For a revocable account, a political subdivision or public entity may withdraw some or all of its money or terminate the trust account. Money and accrued investment earnings withdrawn from a revocable account must be deposited in a fund separate and distinct from any other funds of the political subdivision or public entity. This money, with accrued investment earnings, must be used to pay legally enforceable postemployment benefits to former officers and employees, unless (i) there has been a change in state or federal law affecting that political subdivision's or public entity's liabilities for postemployment benefits, or (ii) there has been a change in the demographic composition of that political subdivision's or public entity's employees eligible for postemployment benefits, or (iii) there has been a change in the provisions or terms of the postemployment benefits in that political subdivision or public entity including, but not limited to, the portion of the costs eligible employees must pay to receive the benefits, or (iv) other factors exist that have a material effect on that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, in which event any amount in excess of 100 percent of that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, as determined under standards of the Government Accounting Standards Board, may be withdrawn and used for any purpose.

(b) For an irrevocable account, a political subdivision or public entity may withdraw money only:

(1) as needed to pay postemployment benefits owed to former officers and employees of the political subdivision or public entity; or

(2) when all postemployment benefit liability owed to former officers or employees of the political subdivision or public entity has been satisfied or otherwise defeased.

(c) A political subdivision or public entity requesting withdrawal of money from an account created under this section must do so at a time and in the manner required by the executive director of the Public Employees Retirement Association or specified in an applicable trust document. The political subdivision or public entity that created the trust must ensure that withdrawals comply with the requirements of this section.

(d) The legislature may not divert funds in these trusts or trust accounts for use for another purpose.

Subd. 8. **Status of irrevocable trust.** (a) All money in an irrevocable trust or trust account created in this section is held in trust for the exclusive benefit of former officers and employees of the participating political subdivision or public entity, and are not subject to claims by creditors of the state, the participating political subdivision or public entity, the current or former officers and employees of the political subdivision or public entity, or the trust administrator.

(b) An irrevocable trust fund or trust account created in this section shall be deemed an arrangement equivalent to a trust for all legal purposes.

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

Sec. 15. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision to read:

Subd. 1m. **Obligations.** After July 1, 2007, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$44,000,000 for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

Sec. 16. Minnesota Statutes 2006, section 475.52, subdivision 6, is amended to read:

Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying judgments against it; for refunding outstanding bonds; for funding floating indebtedness; for funding actuarial liabilities to pay postemployment benefits to employees or officers after their termination of service; or for funding all or part of the municipality's current and future unfunded liability for a pension or retirement fund or plan referred to in section 356.20, subdivision 2, as those liabilities are most recently computed pursuant to sections 356.215 and 356.216. The board of trustees or directors of a pension fund or relief association referred to in section 69.77 or chapter 422A must consent and must be a party to any contract made under this section with respect to the fund held by it for the benefit of and in trust for its members. For purposes of this section, the term "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting Standards Board.

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

Sec. 17. Minnesota Statutes 2006, section 475.58, subdivision 1, is amended to read:

Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

(1) to pay any unpaid judgment against the municipality;

(2) for refunding obligations;

(3) for an improvement or improvement program, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement or by an improvement within the improvement program, or from tax increments, as

defined in section 469.174, subdivision 25, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or tax increments and not less than 20 percent of the cost of the improvement or the improvement program is to be assessed against benefited property or is to be paid from the proceeds of federal grant funds or a combination thereof, or is estimated to be received from tax increments;

(4) payable wholly from the income of revenue producing conveniences;

(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;

(7) to fund pension or retirement fund or postemployment benefit liabilities pursuant to section 475.52, subdivision 6;

(8) under a capital improvement plan under section 373.40; and

(9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if the proceeds of the bonds are not used for a purpose prohibited under section 469.176, subdivision 4g, paragraph (b).

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

Sec. 18. Minnesota Statutes 2006, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction, if the following conditions are met:

(1) the streets are reconstructed under a street reconstruction plan that describes the ~~streets to be reconstructed~~ street reconstruction to be financed, the estimated costs, and any planned reconstruction of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a unanimous vote of all of the members of the governing body who are present at the meeting following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction includes utility replacement and relocation and other activities incidental to the street reconstruction, turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects.

(d) Except in the case of turn lanes, safety improvements, realignments, intersection modifications, and the local share of state and county road projects, street reconstruction does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 19. VALIDATION.

Any trust or trust account or other custodial account or contract authorized under section 401(f) of the Internal Revenue Code, created prior to June 6, 2006, to pay postemployment benefits to employees or officers after termination of service, is hereby validated, may continue in full force and effect, and shall have continuing authority to accept new funds; however, this section does not validate or correct defects in any previously created trust document. Any funds held by a validated trust or account under this section may be invested as provided in section 471.6175, subdivision 5. A validated trust or account shall have until January 1, 2008, to bring its trust documents and procedures into compliance with section 471.6175.

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

Sec. 20. TOWN OF CRANE LAKE, CERTIFICATES OF INDEBTEDNESS.

Notwithstanding Minnesota Statutes, section 366.095, the town board of the town of Crane Lake in St. Louis County may issue one or more certificates of indebtedness in a total amount not to exceed \$225,000, which are not subject to the debt limits of the town. The proceeds of the certificates must be used to acquire property and pay other costs related to a land exchange with the United States Forest Service. The certificates shall be payable in not more than 30 years and be issued on the terms and in the manner as the board may determine. Minnesota Statutes, sections 475.54, subdivision 1, and 475.56, paragraph (c), do not apply to the certificates issued under this section. A tax levy shall be made to pay the principal and interest on the certificates as in the case of bonds.

EFFECTIVE DATE. This section is effective the day after the Crane Lake Town Board and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 21. CITY OF WINSTED; BONDING AUTHORITY.

(a) The city of Winsted may issue general obligation bonds under Minnesota Statutes, chapter 475, to finance the acquisition and betterment of a facility consisting of a city hall, community center, and police station; park improvements, including trails and an amphitheater; related public improvements; and substantial landscaping for the improvements.

(b) The bonds may be issued as general obligations of the city without an election to approve the bonds under Minnesota Statutes, section 475.58.

(c) The bonds are not included in computing any debt limitation applicable to the city, including, but not limited to, the net debt limits under Minnesota Statutes, section 475.53, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) The aggregate principal amount of bonds used to pay costs of the acquisition and betterment of the facility consisting of a city hall, community center, and police station; park improvements, including trails and an amphitheater; related public improvements; and substantial landscaping for

the improvements may not exceed \$4,900,000, plus an amount equal to the costs related to issuance of the bonds and capitalized interest.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 10

SPECIAL TAXES

Section 1. Minnesota Statutes 2006, section 297I.15, is amended by adding a subdivision to read:

Subd. 11. **Premiums paid to certain foreign insurance companies.** With respect to the state employees group insurance program established under sections 43A.23 to 43A.31, premiums paid for life insurance and accidental death and dismemberment insurance for eligible employees and dependents, including premiums paid by employees or dependents for optional coverage, are exempt from the taxes imposed under this chapter to the extent the premiums are paid to a foreign insurance company domiciled in a state that exempts its state employee group life insurance program from premium taxes.

EFFECTIVE DATE. This section is effective for premiums paid after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 383A.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2008 2013.

Sec. 3. Minnesota Statutes 2006, section 383B.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2008 2013.

Sec. 4. **[383C.798] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of St. Louis County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "St. Louis County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the St. Louis County Board of Commissioners and must be deposited in the county's environmental response fund under section 383C.799.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 5. **[383C.799] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383C.798 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383C.798 to bonds issued under this section and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Sec. 6. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Dakota County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Dakota County Board of Commissioners and must be deposited in the county's environmental response fund under section 383D.76.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 7. **[383D.76] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383D.75 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383D.75 to bonds issued under this chapter and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Sec. 8. **[383E.235] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Anoka County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka County Board of Commissioners and must be deposited in the county's environmental response fund under section 383E.236.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 9. **[383E.236] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383E.235 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383E.235 to bonds issued under this section and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

Sec. 10. Laws 2003, chapter 128, article 1, section 172, as amended by Laws 2005, First Special Session chapter 1, article 4, section 118, 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, ~~2007~~ 2009, 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~~ resolve federal bankruptcy ~~protections~~ proceedings.

(b) A commercial airline exempted from the fee is ineligible to receive reimbursement under Minnesota Statutes, chapter 115C, until July 1, ~~2007~~ 2009. 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.

ARTICLE 11**DEPARTMENT INCOME AND FRANCHISE TAXES**

Section 1. Minnesota Statutes 2006, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. The term also includes the co-payment for the appointment of a district public defender imposed under section 611.17, paragraph (c). A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of \$8,800 or less;
- (2) for a debtor with one dependent, an income of \$11,270 or less;
- (3) for a debtor with two dependents, an income of \$13,330 or less;
- (4) for a debtor with three dependents, an income of \$15,120 or less;
- (5) for a debtor with four dependents, an income of \$15,950 or less; and
- (6) for a debtor with five or more dependents, an income of \$16,630 or less.

~~The income amounts in this subdivision shall be adjusted for inflation for debts incurred in calendar years 2001 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 1(f) of the Internal Revenue Code of 1986, as amended through December 31, 2000, except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for debts incurred after December 31, 2000.~~ (c) The commissioner shall adjust the income amounts in paragraph (b) 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" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, 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. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for debts incurred after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States, ~~and must state;~~

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers, ~~and must state;~~ and

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period, unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by this paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) ~~The employer must submit the statements required to be sent to the commissioner on magnetic media, if the magnetic media was~~ in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. For wages paid in calendar year 2007, an employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 100 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For calendar year 2008, the 100 statements threshold is reduced to 50, and for calendar year 2009, the threshold is reduced to 25, and for 2010 and after, the threshold is reduced to ten.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder no later than 30 days after the close of the taxable year. The return provided to the shareholder must

include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. The commissioner may by notice and demand require the regulated investment company is required in a manner prescribed by the commissioner to file a copy of the return with the commissioner.

(b) This subdivision applies to regulated investment companies required to register under chapter 80A.

(c) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on March 15 following the close of the calendar year;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the 15th day of the third month following the close of the fiscal year;

(3) returns for a fractional part of a year must be filed on the 15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the tax year of the unitary group in which falls the last day of the period for which the return is made;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.34, subdivision 2, the divested corporation's return must be filed on the 15th day of the third

month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, or 4 to 10, ~~or 14,~~ must be filed within 30 days after being demanded by the commissioner.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 6. Minnesota Statutes 2006, section 289A.60, subdivision 8, is amended to read:

Subd. 8. **Penalty for Penalties; failure to file informational return; incorrect taxpayer identification number.** (a) In the case of a failure to file an informational return required by section 289A.12 with the commissioner on the date prescribed (determined with regard to any extension of time for filing), the person failing to file the return shall pay a penalty of \$50 for each failure or in the case of a partnership, S corporation, or fiduciary return, \$50 for each partner, shareholder, or beneficiary; but the total amount imposed on the delinquent person for all failures during any calendar year must not exceed \$25,000. If a failure to file a return is due to intentional disregard of the filing requirement, then the penalty imposed under the preceding sentence must not be less than an amount equal to:

(1) in the case of a return not described in clause (2) or (3), ten percent of the aggregate amount of the items required to be reported;

(2) in the case of a return required to be filed under section 289A.12, subdivision 5, five percent of the gross proceeds required to be reported; and

(3) in the case of a return required to be filed under section 289A.12, subdivision 9, relating to direct sales, \$100 for each failure; however, the total amount imposed on the delinquent person for intentional failures during a calendar year must not exceed \$50,000. The penalty must be collected in the same manner as a delinquent income tax.

(b) If a partnership or S corporation files a partnership or S corporation return with an incorrect tax identification number used for a partner or shareholder after being notified by the commissioner that the identification number is incorrect, the partnership or S corporation must pay a penalty of \$50 for each such incorrect number.

EFFECTIVE DATE. This section is effective for returns filed after December 31, 2007.

Sec. 7. Minnesota Statutes 2006, section 289A.60, subdivision 12, is amended to read:

Subd. 12. **Penalties relating to property tax refunds.** (a) If it is determined that a property tax refund claim is excessive and was negligently prepared, a claimant is liable for a penalty of ten percent of the corrected claim must be disallowed claim. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(b) An owner who without reasonable cause fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of \$100 for each failure.

(c) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

EFFECTIVE DATE. This section is effective for property tax refund claims filed on or after July 1, 2007.

Sec. 8. Minnesota Statutes 2006, section 289A.60, subdivision 27, is amended to read:

Subd. 27. **Reportable transaction understatement.** (a) If a taxpayer has a reportable transaction understatement for any taxable year, an amount equal to 20 percent of the amount of the reportable transaction understatement must be added to the tax.

(b)(1) For purposes of this subdivision, "reportable transaction understatement" means the product of:

(i) the amount of the increase, if any, in taxable income that results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of that item as shown on the taxpayer's tax return; and

(ii) the highest rate of tax imposed on the taxpayer under section 290.06 determined without regard to the understatement.

(2) For purposes of clause (1)(i), any reduction of the excess of deductions allowed for the taxable year over gross income for that year, and any reduction in the amount of capital losses which would, without regard to section 1211 of the Internal Revenue Code, be allowed for that year, must be treated as an increase in taxable income.

(c) This subdivision applies to any item that is attributable to:

(1) any listed transaction under section 289A.121; and

(2) any reportable transaction, other than a listed transaction, if a significant purpose of that transaction is the avoidance or evasion of federal income tax liability.

(d) Paragraph (a) applies by substituting "30 percent" for "20 percent" with respect to the portion of any reportable transaction understatement with respect to which the disclosure requirements of section 289A.121, subdivision 5, and section 6664(d)(2)(A) of the Internal Revenue Code are not met.

(e)(1) No penalty applies under this subdivision with respect to any portion of a reportable transaction understatement if the taxpayer shows that there was reasonable cause for the portion and that the taxpayer acted in good faith with respect to the portion. This paragraph applies only if:

(i) the relevant facts affecting the tax treatment of the item are adequately disclosed as required

under section 289A.121;

(ii) there is or was substantial authority for the treatment; and

(iii) the taxpayer reasonably believed that the treatment was more likely than not the proper treatment.

(2) A taxpayer who did not adequately disclose under section 289A.121 meets the requirements of clause (1)(i), if the commissioner abates the penalty imposed by subdivision 26, paragraph (d), under ~~section 270C.34~~ subdivision 26, paragraph (g).

(3) For purposes of clause (1)(iii), a taxpayer is treated as having a reasonable belief with respect to the tax treatment of an item only if the belief:

(i) is based on the facts and law that exist when the return of tax which includes the tax treatment is filed; and

(ii) relates solely to the taxpayer's chances of success on the merits of the treatment and does not take into account the possibility that a return will not be audited, the treatment will not be raised on audit, or the treatment will be resolved through settlement if it is raised.

(4) An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if:

(i) the tax advisor:

(A) is a material advisor, as defined in section 289A.121, and participates in the organization, management, promotion, or sale of the transaction or is related (within the meaning of section 267(b) or 707(b)(1) of the Internal Revenue Code) to any person who so participates;

(B) is compensated directly or indirectly by a material advisor with respect to the transaction;

(C) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained; or

(D) has a disqualifying financial interest with respect to the transaction, as determined under United States Treasury regulations prescribed to implement the provisions of section 6664(d)(3)(B)(ii)(IV) of the Internal Revenue Code; or

(ii) the opinion:

(A) is based on unreasonable factual or legal assumptions, including assumptions as to future events;

(B) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person;

(C) does not identify and consider all relevant facts; or

(D) fails to meet any other requirement as the Secretary of the Treasury may prescribe under federal law.

(f) The penalty imposed by this subdivision applies in lieu of the penalty imposed under subdivision 4.

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

Sec. 9. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

Subd. 28. **Preparer identification number.** Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota individual income tax return or claim for refund and fails to include the required number on the return or claim is subject to a penalty of \$50 for each failure.

EFFECTIVE DATE. This section is effective for returns prepared for tax years beginning after December 31, 2006.

Sec. 10. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

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

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

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

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

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

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

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

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

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

~~(10)~~ for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

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

~~(12)~~ (11) 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;

~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal Revenue Code;

~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 103 of Public Law 109-222;

~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) is allowed;

~~(16)~~ (15) 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;

~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code; and

~~(18)~~ (17) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 11. Minnesota Statutes 2006, 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~~ work opportunity 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 ~~(H)~~ (9), 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)~~ (9) 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)~~ (10) 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 disability 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) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;~~

~~(16)~~ (14) 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)~~ (15) 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)~~ (16) 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~~ 103 of Public Law ~~107-147~~ 109-222;

~~(19)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (14), 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 ~~(15)~~ (14). The resulting delayed depreciation cannot be less than zero; and

~~(20)~~ (18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth of the amount of the addition.

EFFECTIVE DATE. The amendment to clause (2) is effective the day following final

enactment. The rest of this section is effective for taxable years beginning after December 31, 2006.

Sec. 12. Minnesota Statutes 2006, section 290.06, subdivision 33, is amended to read:

Subd. 33. **Bovine testing credit.** (a) An owner of cattle in Minnesota may take a credit against the tax due under this chapter for an amount equal to one-half the expenses incurred during the taxable year to conduct tuberculosis testing on those cattle.

(b) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(d) Expenses incurred in a calendar year in which tuberculosis testing of cattle in Minnesota is not federally required are not allowed in claiming the credit under paragraph (a).

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2007.

Sec. 13. Minnesota Statutes 2006, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act. 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" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 14. Minnesota Statutes 2006, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. adjust 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" shall be substituted for

the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 15. Minnesota Statutes 2006, section 290.091, subdivision 3, is amended to read:

Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum tax, the exemption amount is:

~~(1) for taxable years beginning before January 1, 2006, the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992; and~~

~~(2), for taxable years beginning after December 31, 2005, \$60,000 for married couples filing joint returns, \$30,000 for married individuals filing separate returns, estates, and trusts, and \$45,000 for unmarried individuals.~~

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out.

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), clause (2), must be adjusted for inflation. ~~The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2005, and ending August 31, 2006, as the base year for adjusting for inflation for the tax year beginning after December 31, 2006. The commissioner shall adjust the exemption amount 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 "2005" shall be substituted for the word "1992."~~ For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. The exemption amount as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2006.

Sec. 16. Minnesota Statutes 2006, section 290.191, subdivision 8, is amended to read:

Subd. 8. **Deposit; definition.** (a) "Deposit," as used in subdivision ~~7~~ 6, paragraph (n), has the meanings in this subdivision.

(b) "Deposit" means the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account

whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial institution, or a letter of credit or a traveler's check on which the financial institution is primarily liable. However, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection.

(c) "Deposit" means trust funds received or held by the financial institution, whether held in the trust department or held or deposited in any other department of the financial institution.

(d) "Deposit" means money received or held by a financial institution, or the credit given for money or its equivalent received or held by a financial institution, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds, funds held as security for an obligation due to the financial institution or others, including funds held as dealers reserves, or for securities loaned by the financial institution, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It does not include funds received by the financial institution for immediate application to the reduction of an indebtedness to the receiving financial institution, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness.

(e) "Deposit" means outstanding drafts, including advice or another such institution, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial institution itself.

(f) "Deposit" means money or its equivalent held as a credit balance by a financial institution on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(g) Interinstitution fund transfers are not deposits.

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

Sec. 17. Minnesota Statutes 2006, section 290A.03, subdivision 7, is amended to read:

Subd. 7. **Dependent.** "Dependent" means any person who is considered a dependent under sections 151 and 152 of the Internal Revenue Code. ~~In the case of a son, stepson, daughter, or stepdaughter of the claimant, amounts received as a Minnesota family investment program grant, allowance to or on behalf of the child, surplus food, or other relief in kind supplied by a governmental agency must not be taken into account in determining whether the child received more than half of the child's support from the claimant.~~

EFFECTIVE DATE. This section is effective for property tax refunds based on rents paid after December 31, 2006, and property taxes payable after December 31, 2007.

Sec. 18. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

Subdivision 1. **Determination.** All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate. Except as otherwise provided in section 291.075, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under those sections for Minnesota estate tax purposes.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2005.

Sec. 19. **TRANSITION; POLLUTION CONTROL FACILITIES AMORTIZATION.**

The amount of additions to federal taxable income pursuant to Minnesota Statutes, section 290.01, subdivision 19c, clause (10), that are properly subtractable pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), for taxable years beginning after December 31, 2006, and have not been subtracted pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), are subtractable in the taxpayer's first taxable year beginning after December 31, 2006.

ARTICLE 12

DEPARTMENT SALES AND USE TAXES

Section 1. Minnesota Statutes 2006, section 289A.40, subdivision 2, is amended to read:

Subd. 2. **Bad debt loss.** If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date ~~prescribed for filing the return, plus any extensions granted for filing the return, but only if filed within the extended time~~ when the bad debt was (1) written off as uncollectible in the taxpayer's books and records, and (2) either eligible to be deducted for federal income tax purposes or would have been eligible for a bad debt deduction for federal income tax purposes if the taxpayer were required to file a federal income tax return, or within one year from the date the taxpayer's federal income tax return is timely filed claiming the bad debt deduction, whichever period is later. The refund or credit is limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property. For purposes of reporting a payment received on previously claimed bad debt under chapter 297A, any payments made on a debt or account are applied first proportionally to the taxable price of the property or service and the sales tax on it, and secondly to interest, service charges, and any other charges.

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

Sec. 2. Minnesota Statutes 2006, section 289A.56, is amended by adding a subdivision to read:

Subd. 8. **Border city zone refunds.** Notwithstanding subdivision 3, for refunds payable under section 469.1734, subdivision 6, interest is computed from 90 days after the refund claim is filed with the commissioner.

EFFECTIVE DATE. This section is effective for refund claims filed on or after July 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 289A.60, subdivision 25, is amended to read:

Subd. 25. **Penalty for failure to properly complete sales and use tax return.** A person who fails to report local sales tax taxes required to be reported on a sales and use tax return or who fails to report local sales tax taxes on separate tax lines on the sales and use tax return is subject to a penalty of five percent of the amount of tax not properly reported on the return. A person who files a consolidated tax return but fails to report location information is subject to a \$500 penalty for each return not containing location information. In addition, the commissioner may revoke the privilege for a taxpayer to file consolidated returns and may require the taxpayer to separately register each location and to file a tax return for each location.

EFFECTIVE DATE. This section is effective for returns filed after June 30, 2007.

Sec. 4. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

Subd. 29. **Penalty for failure to report liquor sales.** In the case of a failure to file an informational return required by section 297A.8155 with the commissioner on or before the date prescribed, the person failing to file the report shall pay a penalty of \$500 each failure. If a failure to file a report is intentional, the penalty shall be \$1,000 each failure.

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

Sec. 5. Minnesota Statutes 2006, section 297A.61, subdivision 3, is amended to read:

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

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

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

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

(1) prepared food sold by the retailer;

(2) soft drinks;

- (3) candy;
- (4) dietary supplements; and
- (5) all food sold through vending machines.

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

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

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

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

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice;

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

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

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

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

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

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

(6) services as provided in this clause:

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

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

vehicles;

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

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

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

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

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

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

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

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ~~including~~ ancillary services associated with telecommunication services, cable television services ~~and~~, direct satellite services, and ring tones. ~~Telecommunications~~ Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the

installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

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

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007, except that the amendments to paragraphs (g), clause (2), and (i), are effective for sales and purchases made on or after January 1, 2008.

Sec. 6. Minnesota Statutes 2006, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 7. Minnesota Statutes 2006, section 297A.61, subdivision 7, is amended to read:

Subd. 7. **Sales price.** (a) "Sales price" means the measure subject to sales tax, and means the total amount of consideration, including cash, credit, personal property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(1) the seller's cost of the property sold;

(2) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expenses of the seller;

(3) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;

(4) delivery charges, except the percentage of the delivery charge allocated to delivery of tax exempt property, when the delivery charge is allocated by using either (i) a percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment, or (ii) a percentage based on the total weight of the taxable property compared to the total

weight of all property in the shipment; and

(5) installation charges; ~~and,~~

~~(6) the value of exempt property given to the purchaser when taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise.~~

(b) Sales price does not include:

(1) discounts, including cash, terms, or coupons, that are not reimbursed by a third party and that are allowed by the seller and taken by a purchaser on a sale;

(2) interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and

(3) any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(c) Sales price includes consideration received by the seller from third parties if:

(1) the seller actually receives consideration from a party other than the purchaser and the consideration is directly related to a price reduction or discount on the sale;

(2) the seller has an obligation to pass the price reduction or discount through to the purchaser;

(3) the amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and

(4) one of the following criteria is met:

(i) the purchaser presents a coupon, certificate, or other documentation to the seller to claim a price reduction or discount when the coupon, certificate, or documentation is authorized, distributed, or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate, or documentation is presented;

(ii) the purchaser identifies himself or herself to the seller as a member of a group or organization entitled to a price reduction or discount. A "preferred customer" card that is available to any customer does not constitute membership in such a group; or

(iii) the price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008, except that the amendment to paragraph (a), clause (4), is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2006, section 297A.61, subdivision 10, is amended to read:

Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner

perceptible to the senses. "Tangible personal property" includes, but is not limited to, electricity, water, gas, steam, and prewritten computer software, and prepaid calling cards.

(b) Tangible personal property does not include:

(1) large ponderous machinery and equipment used in a business or production activity which at common law would be considered to be real property;

(2) property which is subject to an ad valorem property tax;

(3) property described in section 272.02, subdivision 9, clauses (a) to (d); and

(4) property described in section 272.03, subdivision 2, clauses (3) and (5).

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 9. Minnesota Statutes 2006, section 297A.61, subdivision 24, is amended to read:

Subd. 24. **Telecommunications services.** (a) "Telecommunications services" means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, by or through any electronic, satellite, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission, conveyance, or routing.

(b) Telecommunications services includes the furnishing for consideration of access to telephone services by a hotel to its guests. include transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing, without regard to whether the service is referred to as voice over Internet protocol services or is classified by the Federal Communications Commission as enhanced or value added.

(c) Telecommunications services do not include:

~~(1) services purchased with a prepaid telephone calling card;~~

~~(2) private communication service purchased by an agent acting on behalf of the State Lottery;~~

~~(3) information services; and~~

~~(4) purchases of telecommunications when the purchaser uses the purchased services as a component part of or integrates such service into another telecommunications service that is sold by the purchaser in the normal course of business.~~

~~(d) For purposes of this subdivision, "information services" means the offering of the capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information.~~

(1) data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser when the purchaser's primary purpose for the underlying transaction is the processed data or information;

(2) installation or maintenance of wiring or equipment on a customer's premises;

(3) tangible personal property;

(4) advertising, including, but not limited to, directory advertising;

(5) billing and collection services provided to third parties;

(6) Internet access service;

(7) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance, and routing of such services by the programming service provider. Radio and television audio and video programming services includes, but is not limited to, cable service as defined in United States Code, title 47, section 522(6), and audio and video programming services delivered by commercial mobile radio service providers, as defined in Code of Federal Regulations, title 47, section 20.3;

(8) ancillary services; or

(9) digital products delivered electronically, including, but not limited to, software, music, video, reading materials, or ring tones.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 10. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale of two or more products when the products are otherwise distinct and identifiable, and the products are sold for one nonitemized price. As used in this subdivision, "product" includes tangible personal property, services, intangibles, and digital goods, but does not include real property or services to real property. A bundled transaction does not include the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

(b) For purposes of this subdivision, "distinct and identifiable" products does not include:

(1) packaging and other materials, such as containers, boxes, sacks, bags, and bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the products and are incidental or immaterial to the retail sale. Examples of packaging that are incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags, and express delivery envelopes and boxes;

(2) a promotional product provided free of charge with the required purchase of another product. A promotional product is provided free of charge if the sales price of another product, which is required to be purchased in order to receive the promotional product, does not vary depending on the inclusion of the promotional product; and

(3) items included in the definition of sales price.

(c) For purposes of this subdivision, the term "one nonitemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including, but not limited to an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.

(d) A transaction that otherwise meets the definition of a bundled transaction is not a bundled transaction if it is:

(1) the retail sale of tangible personal property and a service and the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service;

(2) the retail sale of services if one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service;

(3) a transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is de minimis; or

(4) the retail sale of exempt tangible personal property and taxable tangible personal property if:

(i) the transaction includes food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or medical supplies; and

(ii) the seller's purchase price or sales price of the taxable tangible personal property is 50 percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers must not use a combination of the purchase price and sales price of the tangible personal property when making the 50 percent determination for a transaction.

(e) For purposes of this subdivision, "purchase price" means the measure subject to use tax on purchases made by the seller, and "de minimis" means that the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sales price of the products to determine if the taxable products are de minimis. Sellers must not use a combination of the purchase price and sales price of the products to determine if the taxable products are de minimis. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 11. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 39. **Ancillary services.** "Ancillary services" means services that are associated with or incidental to the provision of telecommunications services, including, but not limited to, conference bridging service, detailed telecommunications billing, directory assistance, vertical service, and voice mail services.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 12. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 40. **Conference bridging service.** "Conference bridging service" means an ancillary service that links two or more participants of an audio or video conference call and may include the provision of a telephone number. Conference bridging service does not include the telecommunications services used to reach the conference bridge.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 13. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 41. Detailed telecommunications billing service. "Detailed telecommunications billing service" means an ancillary service of separately stating information pertaining to individual calls on a customer's billing statement.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 14. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 42. Directory assistance. "Directory assistance" means an ancillary service of providing telephone number information or address information, or both.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 15. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 43. Vertical service. "Vertical service" means an ancillary service that is offered in connection with one or more telecommunications services and which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 16. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 44. Voice mail service. "Voice mail service" means an ancillary service that enables the customer to store, send, or receive recorded messages. Voice mail service does not include any vertical services that the customer may be required to have in order to utilize the voice mail service.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 17. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 45. Ring tone. "Ring tone" means a digitized sound file that is downloaded onto a device and that may be used to alert the customer of a telecommunication service with respect to a communication.

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

Sec. 18. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 46. Fur clothing. "Fur clothing" means human wearing apparel that is required by the Federal Fur Products Labeling Act, United States Code, title 15, section 69, to be labeled as a fur product, and the value of the fur components in the product is more than three times the value of the next most valuable tangible component. For purposes of this subdivision, "fur" means any

animal skin or part of an animal skin with hair, fleece, or fur fibers attached to it, either in its raw or processed state, but does not include animal skins that have been converted into leather or suede, or from which the hair, fleece, or fur fiber has been completely removed in processing the skins.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after July 1, 2007.

Sec. 19. Minnesota Statutes 2006, section 297A.63, subdivision 1, is amended to read:

Subdivision 1. **Use of tangible personal property or taxable services.** (a) For the privilege of using, storing, distributing, or consuming in Minnesota tangible personal property or taxable services purchased for use, storage, distribution, or consumption in this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the purchase price of retail sales of the tangible personal property or taxable services at the rate of tax imposed under section 297A.62. A person that purchases property from a Minnesota retailer and returns the tangible personal property to a point within Minnesota, except in the course of interstate commerce, after it was delivered outside of Minnesota, is subject to the use tax.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of the tangible personal property or taxable services.

(c) No tax is imposed under paragraph (a) if the purchase meets the requirements for exemption under section 297A.67, subdivision 21.

(d) When a transaction otherwise meets the definition of a bundled transaction, but is not a bundled transaction under section 297A.61, subdivision 38, paragraph (d), and the seller's purchase price of the taxable product or taxable tangible personal property is equal to or greater than \$100, then use tax is imposed on the purchase price of the taxable product or taxable personal property. For purposes of this paragraph, "purchase price" means the measure subject to use tax on purchases made by the seller.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 20. Minnesota Statutes 2006, section 297A.665, is amended to read:

297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

(1) all gross receipts are subject to the tax; and

(2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. ~~However, the seller may take from the purchaser at the time of the sale a fully completed exemption certificate which conclusively relieves the seller from collecting and remitting the tax. This~~ However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information

required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

(ii) proves by other means that the transaction was not subject to tax.

(c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption. If a seller claiming that certain sales are exempt is not in possession of the required exemption certificates within 60 days after receiving written notice from the commissioner that the certificates are required, deductions claimed by the seller that required delivery of the certificates must be disallowed. If the certificates are delivered to the commissioner within the 60-day period, the commissioner may verify the reason or basis for the exemption claimed in the certificates before allowing any deductions. A deduction must not be granted on the basis of certificates delivered to the commissioner after the 60-day period.

(e) (d) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 21. Minnesota Statutes 2006, section 297A.669, subdivision 3, is amended to read:

Subd. 3. **Defined telecommunications services sourcing.** The sale of the following telecommunication services shall be sourced to each level of taxing jurisdiction in paragraphs (a) to (d).

(a) A sale of mobile telecommunications services, other than air-to-ground radiotelephone service and prepaid calling service, is sourced to the customer's place of primary use as required by the Mobile Telecommunications Sourcing Act.

(b) A sale of postpaid calling service is sourced to the origination point of the telecommunications signal as first identified by either:

(1) the seller's telecommunications system; or

(2) information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

(c) A sale of prepaid calling service or prepaid wireless calling service is sourced in accordance with section 297A.668, subdivision 2. However, in the case of a sale of ~~mobile telecommunications service that is a prepaid telecommunications~~ wireless calling service, the rule provided in section

297A.668, subdivision 2, paragraph (f), shall include as an option the location associated with the mobile telephone number.

(d) A sale of a private communication service is sourced as follows:

(1) service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which the customer channel termination point is located;

(2) service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located;

(3) service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced 50 percent in each level of jurisdiction in which the customer channel termination points are located; and

(4) service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in the jurisdiction by the total number of customer channel termination points.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 22. Minnesota Statutes 2006, section 297A.669, subdivision 13, is amended to read:

Subd. 13. **Postpaid calling service.** "Postpaid calling service," for purposes of this section, means the telecommunications service obtained by making a payment on a call-by-call basis either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by a charge made to a telephone number that is not associated with the origination or termination of the telecommunications service. A postpaid calling service includes a telecommunications service, except a prepaid wireless calling service, that would be a prepaid calling service except it is not exclusively a telecommunication service.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 23. Minnesota Statutes 2006, section 297A.669, subdivision 14, is amended to read:

Subd. 14. **Prepaid calling service.** "Prepaid calling service," for purposes of this section, means a telecommunications service that:

(1) provides the right to access exclusively telecommunications services,~~which;~~

(2) must be paid for in advance ~~and which;~~

(3) enables the origination of calls using an access number or authorization code, whether manually or electronically dialed,~~;~~ ~~and that~~

(4) is sold in predetermined units or dollars of which the number declines with use in a known amount.

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

Sec. 24. Minnesota Statutes 2006, section 297A.669, is amended by adding a subdivision to read:

Subd. 14a. **Prepaid wireless calling service.** "Prepaid wireless calling service," for purposes of this section, means a telecommunications service that:

(1) provides the right to utilize mobile wireless service as well as other nontelecommunications services, including the download of digital products delivered electronically, content, and ancillary services;

(2) must be paid for in advance; and

(3) is sold in predetermined units or dollars of which the number declines with use in a known amount.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 25. Minnesota Statutes 2006, section 297A.669, is amended by adding a subdivision to read:

Subd. 17. **Ancillary service.** The sale of an ancillary service is sourced to the customer's place of primary use.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 26. Minnesota Statutes 2006, 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.

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~~ "fur clothing" as defined in section 297A.61, subdivision 46.

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 and purchases made on or after July 1, 2007.

Sec. 27. Minnesota Statutes 2006, section 297A.67, subdivision 9, is amended to read:

Subd. 9. **Baby products.** Breast pumps, baby bottles and nipples, pacifiers, teething rings, and infant syringes are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after the day following final enactment.

Sec. 28. Minnesota Statutes 2006, section 297A.68, subdivision 11, is amended to read:

Subd. 11. **Advertising materials.** Materials designed to advertise and promote the sale of merchandise or services are exempt if these materials are mailed or transferred to a person outside the state for use solely outside the state. Mailing and reply envelopes and cards and other shipping materials including, but not limited to, boxes, labels, containers, and banding, used exclusively in connection with these advertising and promotional materials are included in this exemption. The exemption applies regardless of where the mailing occurs. The storage of these materials in the state for the purpose of subsequently shipping or otherwise transferring the material out of state is also exempt if the other conditions in this subdivision are met. For purposes of this subdivision, materials that have a primary purpose other than advertising, such as fulfilling a legal obligation or furnishing nonadvertising information, are not materials designed to advertise and promote the sale of merchandise or services even if they do include advertising content.

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

Sec. 29. Minnesota Statutes 2006, section 297A.68, subdivision 16, is amended to read:

Subd. 16. **Packing materials.** Packing materials used to pack and ship household goods and that are provided to and remain with the customer of a for-hire carrier are exempt if the ultimate destination of the goods is outside Minnesota and if the goods packing materials are not later returned to a point within Minnesota, except in the course of interstate commerce. This exemption does not apply to tools, equipment, pads, or accessories owned or leased by the for-hire carrier.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2007.

Sec. 30. Minnesota Statutes 2006, section 297A.68, subdivision 35, is amended to read:

Subd. 35. **Telecommunications, cable television, and direct satellite equipment.** (a) Telecommunications, cable television, or direct satellite machinery and equipment purchased or leased for use directly by a telecommunications, cable television, or direct satellite service provider primarily in the provision of telecommunications, cable television, or direct satellite services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications, cable television, or direct satellite machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications, cable television, or direct satellite services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications, cable television, or direct satellite services, radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications, cable television, or direct satellite equipment; and software necessary to the operation of the telecommunications, cable television, or direct satellite equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

~~(c) For purposes of this subdivision, "telecommunications services" means telecommunications services as defined in section 297A.61, subdivision 24, paragraphs (a), (c), and (d).~~

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 31. Minnesota Statutes 2006, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those listed in

paragraph (c), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (c), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital or outpatient surgical center;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital or outpatient surgical center; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

(e) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

(1) the nonprofit unit would have qualified for exemption under subdivision 4; and

(2) the items purchased would have qualified for the exemption.

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

Sec. 32. Minnesota Statutes 2006, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. **Private communication service for State Lottery.** Private communication service,

as defined in section 297A.61, subdivision 26, is exempt if the service is purchased by an agent acting on behalf of the State Lottery.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 33. Minnesota Statutes 2006, section 297A.72, is amended to read:

297A.72 EXEMPTION CERTIFICATES.

Subd. 2. **Content and form of exemption certificate.** An exemption certificate must be substantially in the form prescribed by the commissioner and. To be fully completed, the exemption certificate must:

(1) either be signed by the purchaser if it is a paper form, or meet the requirements of section 270C.304 if in electronic form;

(2) bear the name and address of the purchaser; and

(3) indicate the sales tax account identification number, if any, issued to the purchaser, as follows:

(i) the purchaser's Minnesota tax identification number;

(ii) if the purchaser does not have a Minnesota tax identification number, then the purchaser's state tax identification number that is issued by a state other than Minnesota, and the name of that state;

(iii) if the purchaser does not have an identification number described in either item (i) or (ii), then the purchaser's federal Employer Identification Number; or

(iv) if the purchaser does not have an identification number described in item (i), (ii), or (iii), then either the number of the purchaser's state-issued driver's license, if valid in the state of issue, or if the purchaser does not have a driver's license, a valid state-issued identification number, and the name of the state of issue;

(4) indicate the purchaser's type of business, using a business-type coding system prescribed by the commissioner; and

(5) indicate the reason for the exemption, using an exemption reason coding system prescribed by the commissioner.

Subd. 3. **Purchaser requirement.** A blanket exemption certificate is an exemption certificate used for continuing future purchases. A purchaser using a blanket exemption certificate must update it as needed to accurately reflect the information that is required under subdivision 2.

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

Sec. 34. **[297A.8155] LIQUOR REPORTING REQUIREMENTS; PENALTY.**

A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota to a retailer that sells liquor, shall file with the commissioner an annual informational report, in the form and manner prescribed by the commissioner, indicating the volume of liquor sold to each retailer in the previous calendar year. The report must be filed on or before February 28 of each calendar

year beginning in 2008. A person failing to file this report is subject to the penalty imposed under Minnesota Statutes, section 289A.60.

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

Sec. 35. Minnesota Statutes 2006, section 297A.90, subdivision 2, is amended to read:

Subd. 2. **Payment of tax.** (a) Persons who are registered as retailers may make purchases in this state or import property into this state without payment of the sales or use taxes imposed by this chapter at the time of purchase or importation, if the purchases or importations come within the provisions of this section and are made in strict compliance with the rules of the commissioner.

(b) A person described in subdivision 1 may elect to pay directly to the commissioner any sales or use tax that may be due under this chapter for the acquisition of mobile transportation equipment and parts and accessories attached or to be attached to such equipment registered under section 168.187.

(c) The total cost of such equipment and parts and accessories attached or to be attached to such equipment must be multiplied by a fraction. The numerator of the fraction is the Minnesota mileage as reported on the current pro rata application provided for in section 168.187 and the denominator of the fraction is the total mileage reported on the current pro rata registration application. The amount so determined must be multiplied by the tax rate to obtain the tax due.

In computing the tax under this section "sales price" does not include the amount of any tax, ~~except any manufacturer's or importer's excise tax, imposed by the United States upon or with respect to retail sales, whether taxes imposed directly on the retailer or the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.~~

(d) A retailer covered by this section shall make a return and remit to the commissioner the tax due for the preceding calendar month in accordance with sections 289A.11 and 289A.20, subdivision 4.

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

Sec. 36. Minnesota Statutes 2006, section 297B.035, subdivision 1, is amended to read:

Subdivision 1. **Ordinary course of business.** Except as provided in this section, motor vehicles purchased solely for resale in the ordinary course of business by any motor vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section 168.27, subdivision 2 or 3, including vehicles which bear dealer plates as authorized by section 168.27, subdivision 16, shall be exempt from the provisions of this chapter.

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

Sec. 37. Minnesota Statutes 2006, section 469.1734, subdivision 6, is amended to read:

Subd. 6. **Sales tax exemption; equipment; construction materials.** (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:

(1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or

(2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735.

(e) The amount to be refunded shall bear interest at the rate in section 270C.405 from the date 90 days after the refund claim is filed with the commissioner.

EFFECTIVE DATE. This section is effective for refund claims filed on or after July 1, 2007.

Sec. 38. FUR TAX PAYMENTS.

(a) Furriers must file the annual return, required by Minnesota Statutes, section 295.60, subdivision 5, which otherwise would be due March 15, 2008, by September 15, 2007.

(b) If a furrier is required by Minnesota Statutes, section 295.60, subdivision 3, to make installments of quarterly estimates, then the furrier shall make the last installment by July 15, 2007.

EFFECTIVE DATE. Effective July 1, 2007, for sales and purchases made prior to July 1, 2007.

Sec. 39. REPEALER.

(a) Minnesota Statutes 2006, section 295.60, is repealed.

(b) Minnesota Statutes 2006, section 297A.61, subdivision 20, is repealed.

(c) Minnesota Statutes 2006, section 297A.668, subdivision 6, is repealed.

(d) Minnesota Statutes 2006, section 297A.67, subdivision 22, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective for sales and purchases made on or after July 1, 2007; paragraph (b) is effective for sales and purchases made on or after January 1, 2008; and paragraphs (c) and (d) are effective the day following final enactment.

ARTICLE 13

DEPARTMENT SPECIAL TAXES

Section 1. Minnesota Statutes 2006, section 62I.06, subdivision 6, is amended to read:

Subd. 6. ~~Deficits~~ **Deficit assessments.** The association shall certify to the commissioner the estimated amount of any deficit remaining after the stabilization reserve fund has been exhausted and payment of the maximum final premium for all policyholders of the association. Within 60 days after the certification, the commissioner shall authorize the association to recover the members' respective shares of the deficit by assessing all members an amount sufficient to fully fund the obligations of the association. The assessment of each member shall be determined in the manner provided in section 62I.07. An assessment made pursuant to this section shall be deductible by the member from ~~past or future~~ premium taxes due the state as provided in section 297I.20, subdivision 2.

EFFECTIVE DATE. This section is effective for tax returns due on or after January 1, 2008.

Sec. 2. Minnesota Statutes 2006, section 71A.04, subdivision 1, is amended to read:

Subdivision 1. **Premium tax.** The attorney-in-fact, ~~in lieu of all taxes, state, county, and municipal,~~ shall file with the commissioner of revenue all returns and pay to the commissioner of revenue all amounts required under chapter 297I.

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

Sec. 3. Minnesota Statutes 2006, section 287.22, is amended to read:

287.22 EXEMPTIONS.

The tax imposed by section 287.21 does not apply to:

(1) An executory contract for the sale of real property under which the purchaser is entitled to or does take possession of the real property, or any assignment or cancellation of the contract;

(2) A mortgage or an amendment, assignment, extension, partial release, or satisfaction of a mortgage;

(3) A will;

(4) A plat;

(5) A lease, amendment of lease, assignment of lease, or memorandum of lease;

(6) A deed, instrument, or writing in which the United States or any agency or instrumentality thereof is the grantor, assignor, transferor, conveyer, grantee, or assignee;

(7) A deed for a cemetery lot or lots;

(8) A deed of distribution by a personal representative;

(9) A deed to or from a co-owner partitioning their undivided interest in the same piece of real property;

(10) A deed or other instrument of conveyance issued pursuant to a permanent school fund land exchange under section 92.121 and related laws;

(11) A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale;

(12) A referee's, sheriff's, or certificate holder's certificate of redemption from a mortgage or lien foreclosure sale issued ~~to the redeeming mortgagor or lienee~~ pursuant to section 580.23 or other statute applicable to redemption by an owner of real property;

(13) A deed, instrument, or writing which grants, creates, modifies, or terminates an easement; and

(14) A decree of marriage dissolution, as defined in section 287.01, subdivision 4, or a deed or other instrument between the parties to the dissolution made pursuant to the terms of the decree.

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

Sec. 4. Minnesota Statutes 2006, section 287.2205, is amended to read:

287.2205 TAX-FORFEITED LAND.

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by the purchaser of tax-forfeited land whether the purchase is the result of a public auction or private sale or a repurchase of tax-forfeited land. State agencies and local units of government that acquire tax-forfeited land by purchase or any other means are subject to this section. The deed tax is \$1.65 for a conveyance of tax-forfeited lands to a governmental subdivision for an authorized public use under section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

Sec. 5. Minnesota Statutes 2006, section 295.52, subdivision 4, is amended to read:

Subd. 4. **Use tax; prescription drugs.** (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that is subject to tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

~~(b) A person that receives prescription drugs for use in Minnesota from a nonresident pharmacy required to be registered under section 151.19 is subject to a tax equal to the price paid by the nonresident pharmacy to the wholesale drug distributor or the price received by the nonresident pharmacy, whichever is lower, multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person.~~

~~(e)~~ (b) A tax imposed under this subdivision does not apply to purchases by an individual for personal consumption.

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

Sec. 6. Minnesota Statutes 2006, section 295.52, subdivision 4a, is amended to read:

Subd. 4a. **Tax collection.** A wholesale drug distributor with nexus in Minnesota, who is not subject to tax under subdivision 3, on all or a particular transaction ~~or a nonresident pharmacy with nexus in Minnesota,~~ is required to collect the tax imposed under subdivision 4, from the purchaser of the drugs and give the purchaser a receipt for the tax paid. The tax collected shall be remitted to the commissioner in the manner prescribed by section 295.55, subdivision 3.

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

Sec. 7. Minnesota Statutes 2006, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 2. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision ~~4b~~ 2, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as provided under section 295.55, subdivision 5. The refund must be claimed within one year of the due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return or the date of the actual claim for refund, whichever is later.

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

Sec. 8. Minnesota Statutes 2006, section 2971.06, subdivision 1, is amended to read:

Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in subdivision 2, each licensed insurer engaged in writing policies of homeowner's insurance authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the gross premiums and assessments, less return premiums, on direct business received by the company, or by its agents for it, for homeowner's insurance policies, commercial fire policies, and commercial nonliability insurance policies in this state.

(b) The surcharge amount collected under paragraph (a) or subdivision 2, paragraph (b), may not be considered premium for any other purpose. The surcharge amount under paragraph (a) must be separately stated on either a billing or policy declaration or document containing similar information sent to an insured.

(c) Amounts collected by the commissioner under this section must be deposited in the fire safety account established pursuant to subdivision 3.

EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies written or

renewed on or after July 1, 2007.

Sec. 9. Minnesota Statutes 2006, section 297I.06, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** (a) This section does not apply to a farmers' mutual fire insurance company or township mutual fire insurance company in Minnesota organized under chapter 67A.

(b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to transact business in Minnesota shall elect to remit to the Department of Revenue for deposit in the fire safety account either (1) the surcharge amount ~~collected~~ imposed under ~~this section~~ subdivision 1 on all premiums subject to that surcharge, or (2) a surcharge of one-half of one percent on the gross fire premiums and assessments, less return premiums, on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

(c) The election must be made prior to July 1, 2007, for policies written or renewed between July 1, 2007, and December 31, 2007, and by December 31 of each year for insurance for policies written or renewed in the succeeding calendar year. An insurer who elects to remit the one-half of one percent surcharge on gross fire premiums and assessments must not charge the insured the surcharge imposed under subdivision 1.

~~(e)~~ (d) For purposes of this subdivision, "gross fire premiums and assessments" includes premiums on policies covering fire risks only on automobiles, whether written or under floater form or otherwise.

EFFECTIVE DATE. The requirement for certain insurers to make an election before July 1, 2007, is effective the day following final enactment. The rest of this section is effective July 1, 2007, and applies to insurance policies written or renewed on or after that date.

Sec. 10. Minnesota Statutes 2006, section 297I.20, subdivision 2, is amended to read:

Subd. 2. **Joint Underwriting Association offset.** An insurance company may offset against its premium tax liability to this state any amount paid for an assessment made pursuant to section 62I.06, subdivision 6, shall be deductible by the member from past or future premium taxes due the state. The offset against premium tax liability must be claimed beginning with the taxable year that the assessment is paid. To the extent that the allowable offset exceeds the tax liability, the remaining offset must be carried forward to succeeding taxable years until the entire offset has been credited against the insurance company's liability for premium tax under this chapter.

EFFECTIVE DATE. This section is effective for tax returns due on or after January 1, 2008.

Sec. 11. Minnesota Statutes 2006, section 297I.40, subdivision 5, is amended to read:

Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax imposed by section 297I.05, subdivisions 1 to 6, 11, and 12, paragraphs (a), clauses (1) to (5), (b), and ~~(e)~~ (d), ~~without regard to the retaliatory provisions of section 297I.05, subdivision 11, and the~~ less any offset in section 297I.20.

EFFECTIVE DATE. This section is effective for tax returns due on or after January 1, 2008.

Sec. 12. Minnesota Statutes 2006, section 297I.85, is amended by adding a subdivision to read:

Subd. 8. **Penalty for failure to file informational return.** If a person fails to file an

informational return required by section 2971.25 with the commissioner on the date prescribed, determined with regard to any extension of time for filing, the person failing to file the return shall pay a penalty of \$50 for each failure.

EFFECTIVE DATE. This section is effective for tax returns due on or after January 1, 2008.

ARTICLE 14

DEPARTMENT PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2006, section 163.051, subdivision 5, is amended to read:

Subd. 5. **Effect on road and bridge levy.** For taxes payable in the same year that the county first receives tax revenues under this section, the county auditor of each metropolitan county shall reduce the amount of the property taxes levied pursuant to law in 1973 for collection in 1974, by the board of commissioners of such county for the county road and bridge fund, by the following amount: Anoka County, \$341,750; Carver County, \$86,725; Dakota County, \$386,165; Hennepin County, \$2,728,425; Ramsey County, \$1,276,815; Scott County, \$104,805; Washington County, \$227,220 estimated wheelage tax revenues to be received by the county through June 30 of that taxes payable year, and shall spread only the balance thereof on the tax rolls for collection in 1972. The county auditor shall also reduce the amount of such taxes levied pursuant to law in 1972 and any subsequent year, for collection in the respective ensuing years, by the amount of wheelage taxes received by the county in the 12 months immediately preceding such levy July 1 of the year preceding the taxes payable year.

EFFECTIVE DATE. This section is effective for taxes payable in 2007 and thereafter, except that the estimated 2007 wheelage tax revenues for counties that receive wheelage tax revenues in 2007 may reflect any reasonable time period determined by the county.

Sec. 2. Minnesota Statutes 2006, section 270.071, subdivision 7, is amended to read:

Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment.

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

Sec. 3. Minnesota Statutes 2006, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** The Flight property of that is owned by, or is leased, loaned, or otherwise made available to all airline companies operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

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

Sec. 4. Minnesota Statutes 2006, section 270.072, subdivision 3, is amended to read:

Subd. 3. **Report by airline company.** Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner on or before the time fixed

~~by the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from filing because its activities do not constitute air commerce as defined herein. A penalty of five percent of the tax being assessed is imposed on a late filing of the annual report. If the report is not filed within 30 days, an additional penalty of five percent of the assessed tax is imposed for each additional 30 days or fraction of 30 days until the return is filed. The penalty imposed under this section must not exceed the lesser of \$25,000 or 25 percent of the assessed tax.~~

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 5. Minnesota Statutes 2006, section 270.072, subdivision 6, is amended to read:

Subd. 6. **Airflight property tax lien.** The tax imposed under sections 270.071 to 270.079 is a lien on all real and personal property within this state of the airline company in whose name the property is assessed. ~~For purposes of sections 270C.62 and 270C.63, the date of assessment for the tax imposed under sections 270.071 to 270.079 is~~ The lien attaches on January 2 of each year for the taxes payable in the following year.

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 6. **[270.0725] PENALTIES.**

Subdivision 1. **Penalty for late filing.** If an airline company does not file its annual report by the date designated in section 270.072, subdivision 3, a penalty of five percent of the tax being assessed is imposed on that company. On August 1, and on the first day of each succeeding calendar month, an additional five percent penalty is imposed if the report has not yet been filed. For each airline company, the penalties imposed under this subdivision for any one year are limited to the lesser of \$25,000 or 25 percent of the assessed tax.

Subd. 2. **Penalty for repeated instances of late filing.** If there is a pattern of repeated failures by an airline company to timely file the report required by this section, a penalty of ten percent of the tax being assessed is imposed on that company.

Subd. 3. **Penalty for frivolous report.** If an airline company files a frivolous annual report, a penalty of 25 percent of the tax being assessed is imposed on that company. A frivolous report under this section is a report that would fulfill the criteria for a frivolous return under section 289A.60, subdivision 7, notwithstanding the restriction in section 289A.01. In a proceeding involving the issue of whether or not an airline company is liable for this penalty, the burden of proof is on the commissioner.

Subd. 4. **Penalty for fraudulent report.** If an airline company files a false or fraudulent annual report with intent to evade or defeat the tax, a penalty equal to 50 percent of the tax being assessed is imposed on that company.

Subd. 5. **Penalties added to tax.** Penalties imposed under this section are added to the tax and collected as a part of it.

EFFECTIVE DATE. This section is effective for annual reports due on or after July 1, 2007.

Sec. 7. **[270.0735] EXAMINATION; INVESTIGATIONS; SUBPOENAS.**

In addition to the powers granted to the commissioner in this chapter, and in order to determine net tax capacities and issue notices of net tax capacity and tax under sections 270.071 to 270.079, the commissioner has the powers contained in sections 270C.31 and 270C.32, for which purpose the word "taxpayer" as defined in section 270C.01 includes an airline company.

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 270.074, subdivision 3, is amended to read:

Subd. 3. **Tax capacity.** (a) The net tax capacity of the flight property of every airline company shall have a tax capacity of is 70 percent of the value thereof apportioned to this state under subdivision 1, except that the net tax capacity of quiet aircraft shall have a tax capacity of is 40 percent of the value determined under subdivision 1. Quiet aircraft shall include "Quiet aircraft" means turboprops and aircraft defined as stage III or IV by the Federal Aeronautics Administration. If, in the opinion of the commissioner, other aircraft may be qualified as quiet aircraft, the commissioner may adopt rules providing additional qualifications.

(b) The flight property of an airline company that owns or leases aircraft the majority of which are turboprops, and which provides, during six months or more of the year that taxes are levied, scheduled passenger service to three or more airports inside or outside of this state that serve small or medium sized communities, shall be assessed at 50 percent of the assessment percentage otherwise set by paragraph (a).

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 270.076, subdivision 1, is amended to read:

Subdivision 1. **Appeal.** Any airline company against which a tax has been imposed under sections 270.071 to 270.079 shall have the right to appeal within 60 days from the date of notice of the levy of the tax. The notices of net tax capacity and of tax required under section 270.075, subdivision 2, are orders of the commissioner. These orders must be issued in conformance with section 270C.33, subdivisions 1 and 2, but are not subject to administrative review under section 270C.35. These orders may be appealed to the Tax Court in the manner provided by law in section 271.06 for appealing official orders of the commissioner that do not deal with valuation, assessment, or taxation for property tax purposes, and the provisions of section 273.125, subdivisions 4 and 5, and chapter 278 do not apply.

EFFECTIVE DATE. This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 10. Minnesota Statutes 2006, section 270.41, subdivision 1, is amended to read:

Subdivision 1. **Creation; purpose; powers.** A Board of Assessors is created. The board shall establish, conduct, review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor's qualifications. The board shall also consider other matters relating to assessment administration brought before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke an assessor's license.

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

Sec. 11. Minnesota Statutes 2006, section 270.41, is amended by adding a subdivision to read:

Subd. 1a. **Definition.** For purposes of sections 270.41 to 270.48, "board" means the Board of Assessors.

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

Sec. 12. Minnesota Statutes 2006, section 270.41, subdivision 2, is amended to read:

Subd. 2. **Members.** The board shall consist of nine members, who shall be appointed by the commissioner of revenue, in the manner provided herein. The members shall include:

- (1) two from the Department of Revenue;
- (2) two county assessors;
- (3) two assessors who are not county assessors, one of whom shall be a township assessor;
- (4) one from the private appraisal field holding a professional appraisal designation; and
- (5) two public members as defined by section 214.02.

The appointment provided in clauses (2) and (3) may be made from ~~two lists~~ a list of not less than three names ~~each, one~~ submitted to the commissioner of revenue by the Minnesota Association of Assessing Officers or its successor organization containing recommendations for the appointment of appointees described in ~~elause~~ clauses (2), ~~and one by the Minnesota Association of Assessors, Inc. or its successor organization containing recommendations for the appointees described in clause (3) and (3).~~ The ~~lists~~ list must be submitted 30 days before the commencement of the term. In the case of a vacancy, a new list shall be furnished to the commissioner ~~by the respective organization~~ immediately. A member of the board who is no longer engaged in the capacity ~~listed above~~ that was the basis of appointment is disqualified from membership in the board.

The board shall annually elect a chair and a ~~secretary~~ vice-chair of the board.

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

Sec. 13. Minnesota Statutes 2006, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Licenses; refusal or revocation.** The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:

- (1) failure to complete required training;
- (2) inefficiency or neglect of duty;
- (3) ~~"unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit, or knowingly and intentionally misclassifying property in order to gain favor or benefit~~ failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;

(4) conviction of a crime involving moral turpitude; or

(5) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.

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

Sec. 14. Minnesota Statutes 2006, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** ~~An assessor, deputy assessor, assistant assessor, appraiser, A~~ licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

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

Sec. 15. Minnesota Statutes 2006, section 270.44, is amended to read:

270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.

The board shall charge the following fees:

(1) \$105 for a senior accredited Minnesota assessor license;

(2) \$80 for an accredited Minnesota assessor license;

(3) \$65 for a certified Minnesota assessor specialist license;

(4) \$55 for a certified Minnesota assessor license;

~~(5) \$50 for a course challenge examination;~~

~~(6) (5) \$35 for grading a form appraisal;~~

~~(7) (6) \$60 for grading a narrative appraisal;~~

~~(8) (7) \$30 for a reinstatement fee;~~

~~(9) (8) \$25 for a record retention fee; and~~

~~(10) (9) \$20 for an educational transcript; and~~

~~(11) \$30 for all retests of board-sponsored educational courses.~~

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

Sec. 16. Minnesota Statutes 2006, section 270.45, is amended to read:

270.45 DISPOSITION OF FEES.

All fees so established and collected shall be paid to the commissioner of finance for deposit in the general fund. The expenses of carrying out the provisions of sections 270.41 to 270.53 shall be paid from appropriations made to the board of Assessors.

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

Sec. 17. Minnesota Statutes 2006, section 270.46, is amended to read:

**270.46 TRAINING COURSES, ESTABLISHMENT; ~~OTHER COURSES,~~
REGULATION.**

The board shall ~~establish~~ review and approve training courses on assessment practices ~~and shall review and approve courses on assessment practices,~~ techniques of assessment, and ethics offered by schools, colleges and, universities ~~as well as courses that are offered by any units of government on techniques of assessment. Courses shall be established in various places throughout the state and be offered on regular intervals,~~ units of government, and other entities.

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

Sec. 18. Minnesota Statutes 2006, section 270.47, is amended to read:

270.47 RULES.

The board shall ~~establish~~ adopt rules necessary to accomplish the purpose of ~~section~~ sections 270.41 to 270.51, and shall establish criteria required of assessing officials in the state. Separate criteria may be established depending upon the responsibilities of the assessor. ~~The board shall prepare and give examinations from time to time to determine whether assessing officials possess the necessary qualifications for performing the functions of the office. Such tests shall be given immediately upon completion of courses required by the board, or to persons who already possess the requisite qualifications under the rules of the board. An action of the board in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.~~

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

Sec. 19. Minnesota Statutes 2006, section 270.48, is amended to read:

270.48 LICENSURE OF QUALIFIED PERSONS.

The board shall ~~may~~ license persons as possessing the necessary qualifications of an assessing official. Different levels of licensure may be established as to classes of property which assessors may be certified to assess at the discretion of the board. Every person, except a local or county assessor, regularly employed by the assessor to assist in making decisions regarding valuing and classifying property for assessment purposes ~~shall be required to~~ must become licensed within three years of the date of employment. Licensure shall be required for local and county assessors as ~~otherwise provided in sections 270.41 to 270.53~~ section 273.061 and rules adopted by the board.

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

Sec. 20. Minnesota Statutes 2006, section 270.50, is amended to read:

270.50 EMPLOYMENT OF LICENSED ASSESSORS.

No assessor shall be employed who has not been licensed as qualified by the board, provided the time to comply may be extended after application to the board upon a showing that licensed assessors are not available for employment. The board may license ~~that~~ a county or local assessor who has not received the training, but possesses the necessary qualifications for performing the functions of the office by the passage of an approved examination or may waive the examination if such person has demonstrated competence in performing the functions of the office for a period of time the board deems reasonable. ~~The county or local assessing district shall assume the cost of training of its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals and lodging, and recognized travel expenses not paid by the state. If the governing body of any township or city fails to employ an assessor as required by sections 270.41 to 270.53, the assessment shall be made by the county assessor.~~

~~In the case of cities incorporated or townships organized after April 11, 1974, except cities or towns located in Ramsey county or which have elected a county assessor system in accordance with section 273.055, the board shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.~~

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

Sec. 21. Minnesota Statutes 2006, section 270C.306, is amended to read:

270C.306 COMMISSIONER MAY REQUIRE SOCIAL SECURITY OR IDENTIFYING NUMBERS ON FORMS.

Notwithstanding the provisions of any other law except section 272.115, the commissioner may require that a form required to be filed with the commissioner include the Social Security number, federal employer identification number, or Minnesota taxpayer identification number of the taxpayer or applicant.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 22. Minnesota Statutes 2006, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner as a result of the late payment of tax or late filing of a return, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

(c) The commissioner may abate a penalty imposed under section 270.0725, subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline company is located in a presidentially declared disaster area.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 23. Minnesota Statutes 2006, 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. To be exempt, the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement and relocation agreement, if required, by July 1 of the assessment year. 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) Except for property of a business that was exempt under this subdivision for taxes payable in 2007, a business must notify the county assessor in writing of eligibility under this subdivision by July 1 in order to begin receiving the exemption under this subdivision for taxes payable in the following year. The business need not annually notify the county assessor of its continued exemption under this subdivision, but must notify the county assessor immediately if the exemption no longer applies.

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

Sec. 24. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or

liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. ~~Pursuant to the authority of the commissioner of revenue in section 270C.306,~~ The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates of value filed on or after July 1, 2007.

Sec. 25. Minnesota Statutes 2006, section 273.05, is amended by adding a subdivision to read:

Subd. 3. **Cities and townships; employment of licensed assessor.** In the case of cities or townships, except cities or towns located in Ramsey County or which have elected a county assessor system in accordance with section 273.055, the commissioner shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.

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

Sec. 26. [273.0535] COUNTY OR LOCAL ASSESSING DISTRICT TO ASSUME COST OF TRAINING.

The county or local assessing district must assume the cost of training its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals, and lodging, and recognized travel expenses not paid by the state.

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

Sec. 27. Minnesota Statutes 2006, section 273.111, subdivision 3, is amended to read:

Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, shall be entitled to valuation and tax deferral under this section only if it is primarily devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is

real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within four townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation; or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

~~Corporate entities who previously qualified for tax deferral pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Special assessments are payable at the end of the three year period or at time of sale, whichever comes first.~~

~~(c) Land that previously qualified for tax deferral under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.~~

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

Sec. 28. Minnesota Statutes 2006, section 273.121, is amended to read:

273.121 VALUATION OF REAL PROPERTY, NOTICE.

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. Upon written request by the owner of the property, the assessor may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail. It shall contain: (1) the market value for the current and prior assessment, (2) the limited market value under section 273.11, subdivision 1a, for the current and prior assessment, (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) the classification of the property for the current and prior assessment, (6) a note that if the property is homestead and at least 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office address, and (8) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

EFFECTIVE DATE. This section is effective for notices required in 2007 and thereafter.

Sec. 29. Minnesota Statutes 2006, section 273.123, subdivision 2, is amended to read:

Subd. 2. **Reassessment of homestead property.** The county assessor shall reassess all homestead property located within a disaster or emergency area which is physically damaged by the disaster or emergency and shall adjust the valuation for taxes payable the following year to reflect the loss in market value caused by the damage as follows: Subtract the market value of the property as reassessed from the market value of the property as assessed under section 273.01 for ~~January 1~~ of the year in which the disaster or emergency occurred; multiply the remainder by a fraction, the numerator of which is the number of full months remaining in the year on the date the disaster or emergency occurred, and the denominator of which is 12; subtract the product of the calculation from the market value of the property as assessed for ~~January 1~~ of the year in which the disaster or emergency occurred; the remainder is the estimated market value to be used for taxes payable the following year. The assessor shall report to the county auditor the net tax capacity based on the assessment of ~~January 1~~ of for the year in which the disaster or emergency occurred and the net tax capacity based on the reassessment made pursuant to this subdivision.

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

Sec. 30. Minnesota Statutes 2006, section 273.123, subdivision 3, is amended to read:

Subd. 3. **Computation of local tax rates.** ~~When computing~~ Local tax rates, must be computed by the county auditor ~~shall use~~ based upon the valuation as of January 2 as reported by the assessor for the assessment ~~made on January 1 of the year in which the disaster or emergency occurred, and as returned by the local, county, and state boards of review and equalization and the commissioner of revenue.~~

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

Sec. 31. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

~~(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.~~

~~(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.~~

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers or affidavits or other proofs of the property owners and spouses

are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

~~(d)~~ (c) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property ~~and the Social Security number of each owner who is related to an occupant of the property~~ shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

~~(e)~~ (d) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for ~~the 1993 assessment, or any assessment year thereafter,~~ that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

~~(f)~~ (e) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. ~~Beginning with assessment year 1993 for all properties,~~ If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

~~(g)~~ (f) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the property owner and the property owner's spouse occupying the property, or, qualifying relative of a property owner, applying for homestead classification under this subdivision or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

~~(h)~~ (g) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose

of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) (h) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) (i) If a property owner has applied for more than one homestead and the county assessors

cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

~~(k)~~ (j) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

~~(l)~~ (k) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) the name and Social Security number of each occupant of homestead property who is the property owner and, property owner's spouse, as shown on the tax rolls for the current and the prior assessment year qualifying relative of a property owner, or spouse of a qualifying relative;

(iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) an indication of whether the property was classified as a homestead for taxes payable in the current year ~~or for taxes payable in the prior year~~ because of occupancy by a relative of the owner or by a spouse of a relative;

(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

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

Sec. 32. Minnesota Statutes 2006, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the Department of Natural Resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property consisting of at least 40 acres shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner, the owner's spouse, the son or daughter of the owner or owner's spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(2) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (1), are Minnesota residents;

(3) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; ~~and~~

(4) neither the owner nor the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property; and

(5) the owner or the person actively farming the property is farming at least 40 acres of the

property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property consisting of at least 40 acres of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(2) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(3) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; ~~and~~

(4) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property; and

(5) the shareholder, member, or partner actively farming the property is farming at least 40 acres of the property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four

townships or city criteria and are Minnesota residents;

- (3) the same operator of the agricultural property is listed with the Farm Service Agency;
- (4) a Schedule F or equivalent income tax form was filed for the most recent year;
- (5) the property's acreage is unchanged; and
- (6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

EFFECTIVE DATE. This section is effective for taxes payable in 2008 and thereafter.

Sec. 33. Minnesota Statutes 2006, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real property held by a trustee under a trust is eligible for classification as homestead property if:

- (1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;
- (2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;
- (3) a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm rents the property held by a trustee under a trust, and the grantor, the spouse or surviving spouse of the grantor, or the ~~son~~ child or daughter grandchild of the grantor, who is also a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead, or is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership such that the grantor, the spouse or surviving spouse of the grantor, or the child or grandchild of the grantor actively farming the property is farming at least 40 acres of the property; or
- (4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead or a person who received the homestead classification for taxes payable in 2005 under clause (3) who does not qualify under clause (3) for taxes payable in 2006 or thereafter but who continues to qualify under clause (3) as it existed for taxes payable in 2005.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the requirement that at least 40 acres of the property be farmed by an eligible person is effective for taxes payable in 2008 and thereafter.

Sec. 34. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

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

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

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

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

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

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

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

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

(3) any person who is permanently and totally disabled.

Property is classified and assessed under clause (3) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of revenue certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph or the county assessor has approved the occupant's declaration under section 273.1315.

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

(c) Class 1c property is commercial use real and personal property that abuts a ~~lakeshore~~

~~line~~ public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property is composed of three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25 percent. ~~If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.~~ Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

property from classification under this paragraph;

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

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

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

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 35. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal

property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property is composed of three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class ~~4e-0f~~ 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located ~~will~~ must be designated as class ~~4e-0f~~ 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located ~~will~~ must be designated as class 3a. The owner of property desiring designation as class ~~4e-0f~~ 4c property must provide guest registers or other records demonstrating that the units for which class ~~4e-0f~~ 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, ~~and~~ (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall does not qualify for class ~~4e-0f~~ 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 36. Minnesota Statutes 2006, section 273.1398, subdivision 4, is amended to read:

Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the

property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market value and (ii) the tax on class 3a and class 3b property to 2.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

EFFECTIVE DATE. This section is effective retroactively for taxes payable in 2001 and thereafter.

Sec. 37. Minnesota Statutes 2006, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before June 30, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

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

Sec. 38. Minnesota Statutes 2006, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before June 30, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

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

Sec. 39. Minnesota Statutes 2006, section 273.371, subdivision 1, is amended to read:

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, and transportation company and pipeline doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, ~~and~~ 273.37, and 273.3711. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available.

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

Sec. 40. **[273.3711] RECOMMENDED AND ORDERED VALUES.**

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all values not required to be listed and assessed by the commissioner of revenue are recommended values.

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

Sec. 41. Minnesota Statutes 2006, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person

feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 42. Minnesota Statutes 2006, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county

commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

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

Sec. 43. [274.135] COUNTY BOARDS; APPEALS AND EQUALIZATION COURSE AND MEETING REQUIREMENTS.

Subdivision 1. **Handbook for county boards.** By no later than January 1, 2009, the commissioner of revenue must develop a handbook detailing procedures, responsibilities, and requirements for county boards of appeal and equalization. The handbook must include, but need not be limited to, the role of the county board in the assessment process, the legal and policy reasons for fair and impartial appeal and equalization hearings, county board meeting procedures that foster fair and impartial assessment reviews and other best practices recommendations, quorum requirements for county boards, and explanations of alternate methods of appeal.

Subd. 2. **Appeals and equalization course.** Beginning in 2009, and each year thereafter, there must be at least one member at each meeting of a county board of appeal and equalization who has attended an appeals and equalization course developed or approved by the commissioner within the last four years, as certified by the commissioner. The course may be offered in conjunction with a meeting of the Minnesota Association of Assessment Officers. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by December 1, 2009, and each year thereafter, that it is in compliance with the requirements of subdivision 2. Beginning in 2009, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the current year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by December 1 in order to be effective for the following year's assessment.

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

Sec. 44. Minnesota Statutes 2006, 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. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

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

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal

disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

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

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

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

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

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

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

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

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

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

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

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

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

- (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;
- (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and
- (3) Metropolitan Mosquito Control Commission under section 473.711.

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

(j) The governing body of a county, city, or school district may, with the consent of the county board, 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.

EFFECTIVE DATE. This section is effective for notices required in 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 45. Minnesota Statutes 2006, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **Public advertisement.** (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest

and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

In addition to other requirements, a county and a city having a population of more than 2,500 must show in the public advertisement required under this subdivision the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

(b) Subject to the provisions of paragraph (g), the advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF
PROPOSED PROPERTY TAXES

(School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) Subject to the provisions of paragraph (g), the advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
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\$.....	\$.....%
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TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....%

LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

(Year) Tax Rate	(Year) Tax Rate if NO Levy Increase	(Year) Proposed Tax Rate
.....

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)
(Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)
(Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

- (i) Minnesota family investment program under chapters 256J and 256K;
- (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;
- (iii) general assistance medical care under section 256D.03, subdivision 6;

- (iv) general assistance under section 256D.03, subdivision 2;
 - (v) emergency assistance under section 256J.48;
 - (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
 - (vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;
 - (viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;
 - (ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;
 - (x) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (iv) and (vi); or
 - (xi) any successor programs to those listed in clauses (i) to (x).
- (e) A city with a population of over 500 but not more than 2,500 that is required to hold a public hearing under subdivision 6 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).
- (f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.
- (g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall annually prescribe the specific form and format of the advertisements required under this subdivision, including such details as font size and style, and spacing for the required items. The commissioner may prescribe alternate and additional language for the advertisement for a taxing authority or for groups of taxing authorities. At least two weeks before November 29 each year, the commissioner shall provide a copy of the prescribed advertisements to the chairs of the committees of the house of representatives and the senate with jurisdiction over taxes.

EFFECTIVE DATE. This section is effective for advertisements in 2007 and thereafter, for proposed taxes payable in 2008 and thereafter.

Sec. 46. Minnesota Statutes 2006, section 275.067, is amended to read:

275.067 SPECIAL TAXING DISTRICTS; ORGANIZATION DATE; CERTIFICATION OF LEVY OR SPECIAL ASSESSMENTS.

Special taxing districts as defined in section 275.066 organized on or before July 1 in a the current calendar year may, and special taxing districts organized in a prior year that have not previously certified a levy to the county auditor, are allowed to certify a levy to the county auditor in that same the current year for property taxes or special assessments to be payable in the following calendar year to the extent that the special taxing district is authorized by statute or special act to levy taxes or special assessments, but only if the county auditor receives written notice from the district on or before July 1 of the current year that the district may be certifying a levy in the current year, and the notice includes a complete list or other description of the tax parcels in the district and a map showing the boundaries of the district. Special taxing districts organized after July 1 in a calendar

year may not certify a levy of property taxes or special assessments to the county auditor under the powers granted to them by statute or special act and subject to the requirements of this section until the following calendar year. All special taxing districts must notify the county auditor by July 1 in order for its boundaries for the levy to be certified that year to be different than its boundaries for levies certified in prior years, and the notice must include a complete list or other description of the tax parcels within the new boundaries and a map showing the new boundaries of the district.

EFFECTIVE DATE. This section is effective for taxes payable in 2008 and thereafter.

Sec. 47. Minnesota Statutes 2006, section 276.04, is amended by adding a subdivision to read:

Subd. 5. **Electronic tax statements.** Upon written request by the owner of real property located in the county, or by the owner's agent, a county may send tax statements in electric form or by electronic means instead of on paper or by mailing. For the purposes of the payment deadlines specified in section 279.01, the postmark date on the envelope containing these property tax statements is the date the statements were sent by electronic means.

EFFECTIVE DATE. This section is effective for tax statements for taxes payable in 2008 and thereafter.

Sec. 48. Minnesota Statutes 2006, section 277.01, subdivision 2, is amended to read:

Subd. 2. **Partial payments.** The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, ~~payments must be~~ the payment is applied first to the penalty accrued for the year ~~the payment is made~~ or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

EFFECTIVE DATE. This section is effective for payments made on or after the day following final enactment.

Sec. 49. Minnesota Statutes 2006, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty ~~shall accrue~~ accrues and thereafter ~~be~~ is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty ~~shall be~~ is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property ~~shall be~~ is at a rate of four percent until May 31 and eight percent on June 1. This penalty ~~shall~~ does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. ~~Any property owner of such class 3a property who pays~~ In order for the first half of the tax due on the class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, shall without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the

income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty ~~shall attach~~ attaches; the remaining one-half ~~shall may~~ be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent ~~shall accrue~~ accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent ~~shall accrue~~ accrues and on the first day of December following, an additional penalty of two percent ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes. If one-half of such taxes ~~shall are not be~~ paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty ~~shall attach~~ attaches to the remaining one-half until October 16 following.

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

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

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

EFFECTIVE DATE. This section is effective for payments made on or after the day following final enactment.

Sec. 50. Minnesota Statutes 2006, section 290B.03, subdivision 2, is amended to read:

Subd. 2. **Qualifying homestead; defined.** Qualifying homestead property is defined as the dwelling occupied as the homeowner's principal residence and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed one acre. The homestead may be part of a multidwelling building and the land on which it is built. Property is not qualifying homestead property if a person or entity other than the applicant or the applicant's spouse holds an interest in the property as the vendor under a contract for deed or as a

remainderperson.

EFFECTIVE DATE. This section is effective for applications submitted on or after January 1, 2007.

Sec. 51. Minnesota Statutes 2006, section 290C.02, subdivision 3, is amended to read:

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act. ~~Claimant includes;~~

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property. Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by August 15 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

(b) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

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

Sec. 52. Minnesota Statutes 2006, section 290C.04, is amended to read:

290C.04 APPLICATIONS.

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the commissioner and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that

completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, and (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land.

(b) In all cases, the commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section ~~290C.11, paragraph (a)~~ 290C.13.

(c) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(d) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

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

Sec. 53. Minnesota Statutes 2006, section 290C.05, is amended to read:

290C.05 ANNUAL CERTIFICATION.

On or before July 1 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply.

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

Sec. 54. Minnesota Statutes 2006, section 290C.11, is amended to read:

290C.11 PENALTIES FOR REMOVAL.

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner

shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination under the provisions of section 290C.13. ~~The appeal must be made in writing to the commissioner, who shall, within 60 days, notify the claimant as to the outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the owner may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.~~

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

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

Sec. 55. [290C.13] APPEALS.

Subdivision 1. Claimant right to reconsideration. A claimant may obtain reconsideration by the commissioner of a determination removing enrolled land from the sustainable forest incentive program, a determination denying an application to enroll land in the program, or a denial of part or all of an incentive payment by filing an administrative appeal under subdivision 4. A claimant cannot obtain reconsideration under this section if the action taken by the commissioner is the outcome of an administrative appeal.

Subd. 2. Appeal by claimant. A claimant who wishes to seek administrative review must follow the procedures in subdivision 4.

Subd. 3. Notice date. For purposes of this section, the term "notice date" means the date of the determination removing enrolled land or the date of the notice denying an application to enroll land or denying part or all of an incentive payment.

Subd. 4. Time and content for administrative appeal. Within 60 days after the notice date, the claimant must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

- (1) name and address of the claimant;
- (2) if a corporation, the state of incorporation of the claimant, and the principal place of business of the corporation;
- (3) the Minnesota or federal business identification number or Social Security number of the claimant;
- (4) the date;
- (5) the periods involved and the amount of payment involved for each year or period;
- (6) the findings in the notice that the claimant disputes;

(7) a summary statement that the claimant relies on for each exception; and

(8) the claimant's signature or signature of the claimant's duly authorized agent.

Subd. 5. **Extensions.** When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period not more than 30 days from the expiration of the 60 days from the notice date.

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination.

Subd. 7. **Agreement determining issues under appeal.** When it appears to be in the best interests of the state, the commissioner may settle the amount of any incentive payments, payments owed by the claimant under section 290C.11, paragraph (b), penalties, or interest that the commissioner has under consideration by virtue of an appeal filed under this section. An agreement must be in writing and signed by the commissioner and the claimant, or the claimant's representative authorized by the claimant to enter into an agreement. The agreement is final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case must not be reopened as to the matters agreed upon.

Subd. 8. **Appeal to Tax Court.** Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the claimant may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.

Subd. 9. **Exemption from Administrative Procedure Act.** This section is not subject to chapter 14.

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

Sec. 56. **REPEALER.**

(a) Minnesota Statutes 2006, section 270.073, is repealed.

(b) Minnesota Statutes 2006, sections 270.41, subdivision 4; 270.43; 270.51; 270.52; and 270.53, are repealed.

(c) Minnesota Statutes 2006, section 279.01, subdivision 2, is repealed.

EFFECTIVE DATE. This section is effective the day following final enactment, except that paragraph (a) is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

ARTICLE 15

DEPARTMENT MISCELLANEOUS

Section 1. **[270C.435] REFUNDS NOT SUBJECT TO ATTACHMENT OR GARNISHMENT.**

No amount of a tax refund or other payment payable by the commissioner to a taxpayer is assignable or subject to execution, levy, attachment, garnishment, lien foreclosure, or other legal process, except as specifically provided by law.

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

Sec. 2. Minnesota Statutes 2006, section 270C.446, subdivision 2, is amended to read:

Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers as defined in section 289A.60, subdivision 13, paragraph (f), who have been convicted under section 289A.63 or assessed penalties in excess of \$1,000 under section 289A.60, subdivision 13, paragraph (a).

(b) For the purposes of this section, tax preparers are not subject to publication if:

- (1) an administrative or court action contesting the penalty has been filed or served and is unresolved at the time when notice would be given under subdivision 3;
- (2) an appeal period to contest the penalty has not expired; or
- (3) the commissioner has been notified that the tax preparer is deceased.

EFFECTIVE DATE. This section is effective for penalties on returns filed after December 31, 2007.

Sec. 3. Minnesota Statutes 2006, section 424A.10, subdivision 3, is amended to read:

Subd. 3. **State reimbursement.** (a) ~~By February 15 of each year, the treasurer of the relief association shall apply to the commissioner of revenue~~ Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the relief association must apply to the commissioner of revenue by February 15. By March 15 the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association,

~~(e)~~ the reimbursement payment must be deposited in the special fund of the relief association.

~~(d)~~ (c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective January 1, 2007, and thereafter.

ARTICLE 16

MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 3.987, subdivision 1, is amended to read:

Subdivision 1. **Local impact notes.** The commissioner of finance shall coordinate the development of a local impact note for any proposed legislation introduced after June 30, 1997, ~~or any rule proposed after December 31, 1999,~~ upon request of the chair or the ranking minority member of either legislative Tax Committee. Upon receipt of a request to prepare a local impact note, the commissioner must notify the authors of the proposed legislation ~~or, for an administrative rule, the head of the relevant executive agency or department,~~ that the request has been made. The local impact note must be made available to the public upon request. If the action is among the exceptions listed in section 3.988, a local impact note need not be requested nor prepared. The commissioner shall make a reasonable and timely estimate of the local fiscal impact on each type of political subdivision that would result from the proposed legislation. The commissioner of finance may require any political subdivision or the commissioner of an administrative agency of the state to supply in a timely manner any information determined to be necessary to determine local fiscal impact. The political subdivision, its representative association, or commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of its ability. The political subdivision, its representative association, or commissioner, when requested, shall update its determination of local fiscal impact based on actual cost or revenue figures, improved estimates, or both. Upon completion of the note, the commissioner must provide a copy to the authors of the proposed legislation ~~or, for an administrative rule, to the head of the relevant executive agency or department.~~

Sec. 2. Minnesota Statutes 2006, section 3.988, subdivision 3, is amended to read:

Subd. 3. **Miscellaneous exceptions.** A local impact note or an attachment as provided in section 3.987, subdivision 2, need not be prepared for the cost of a mandated action if the law, ~~including a rulemaking,~~ containing the mandate:

- (1) accommodates a specific local request;
- (2) results in no new local government duties;
- (3) leads to revenue losses from exemptions to taxes;
- (4) provided only clarifying or conforming, nonsubstantive charges on local government;
- (5) imposes additional net local costs that are minor (an amount less than or equal to one-half of one percent of the local revenue base as defined in section 477A.011, subdivision 27, or \$50,000, whichever is less for any single local government if the mandate does not apply statewide or less than \$1,000,000 if the mandate is statewide);
- (6) is a law or executive order enacted before July 1, 1997, or a rule initially implementing a law enacted before July 1, 1997;
- (7) implements something other than a law or executive order, such as a federal, court, or voter-approved mandate;
- (8) results in savings that equal or exceed costs;
- (9) requires the holding of elections;
- (10) ensures due process or equal protection;

(11) provides for the notification and conduct of public meetings;

(12) establishes the procedures for administrative and judicial review of actions taken by political subdivisions;

(13) protects the public from malfeasance, misfeasance, or nonfeasance by officials of political subdivisions;

(14) relates directly to financial administration, including the levy, assessment, and collection of taxes;

(15) relates directly to the preparation and submission of financial audits necessary to the administration of state laws; or

(16) requires uniform standards to apply to public and private institutions without differentiation.

Sec. 3. Minnesota Statutes 2006, section 3.989, subdivision 2, is amended to read:

Subd. 2. **Report Compilation of local impact notes.** The commissioner of finance shall prepare by ~~September 1, 2000, and by~~ September 1 of each even-numbered year thereafter, a ~~report~~ compilation of the costs of key local mandates established after June 30, 1997 impact notes requested by the legislature during the previous biennial session as provided in section 3.987. The commissioner may consult with local government representatives and legislative fiscal staff to determine which local impact notes were key.

~~The commissioner shall include the statewide total of the statement of costs of local mandates after June 30, 1997, as a notation in the state biennial budget.~~

Sec. 4. Minnesota Statutes 2006, section 3.989, subdivision 3, is amended to read:

Subd. 3. **Certain political subdivisions; report.** The political subdivisions that have opted to administer class B state mandates shall report to the commissioner of finance by September 1, 1998, and by September 1 of each year thereafter, identifying each instance when revenue for a class B state mandate has fallen below 85 percent of the total cost of the program and the political subdivision intends to cease administration of the program.

The commissioner shall forward a copy of the report to the chairs of the appropriate funding committees of the senate and the house ~~for proposed inclusion of the shortfall as a line item appropriation in the state budget for the next fiscal year.~~

The political subdivision may exercise its option to cease administration only if the legislature has failed to include the shortfall as an appropriation in the state budget for the next fiscal year.

Sec. 5. Minnesota Statutes 2006, section 13.4965, subdivision 3, is amended to read:

Subd. 3. **Homestead applications.** The classification and disclosure of certain information collected to determine homestead classification are governed by ~~section~~ sections 273.124, subdivision 13, and 273.1315, subdivision 2.

Sec. 6. Minnesota Statutes 2006, section 16A.103, subdivision 2, is amended to read:

Subd. 2. **Local revenue.** In February and November of each year, the commissioner of revenue shall prepare and deliver to the governor and the legislature forecasts of revenue to be received

by school districts as a group, counties as a group, and the group of cities and towns that have a population of more than 2,500. The forecasts must assume the continuation of current laws, projections of valuation changes in real property, and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for property taxes, state and federal aids, local sales taxes, if any, and a single projection for all other revenue for each group of affected local governmental units. ~~As part of the February forecast, the commissioner of revenue shall report to the governor and legislature on which groups of local government units exceeded the revenue targets of the governor and legislature in the most recent biennium.~~

Sec. 7. Minnesota Statutes 2006, section 16A.152, subdivision 1a, is amended to read:

Subd. 1a. **Budget reserve.** A budget reserve account is created in the general fund in the state treasury. The commissioner of finance shall transfer to the budget reserve account on July 1 of each odd-numbered year any amounts specifically appropriated by law to the budget reserve. Notwithstanding section 11A.12, net income attributable to investment of \$629,000,000 in the account, rounded to the nearest \$1,000,000, must be credited to the account.

Sec. 8. Minnesota Statutes 2006, section 16A.152, subdivision 1b, is amended to read:

Subd. 1b. **Budget reserve increase.** On July 1, ~~2003~~ 2007, the commissioner of finance shall transfer ~~\$300,000,000~~ \$629,000,000 to the budget reserve account in the general fund. ~~On July 1, 2004, the commissioner of finance shall transfer \$296,000,000 to the budget reserve account in the general fund.~~ The ~~amounts~~ amount necessary for this purpose ~~are~~ is appropriated from the general fund.

Sec. 9. Minnesota Statutes 2006, 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 rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; 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.

(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 section 16A.1522 takes effect.~~

~~(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. 10. Minnesota Statutes 2006, section 16D.04, subdivision 1, is amended to read:

Subdivision 1. **Duties.** The commissioner shall provide services to the state and its referring agencies to collect debts owed the state referred for collection under this chapter. The commissioner is not a collection agency as defined by section 332.31, subdivision 3, and is not licensed, bonded, or regulated by the commissioner of commerce under sections 332.31 to 332.35 or 332.38 to 332.45. The commissioner is subject to section 332.37, except clause (9), (10), (12), or (19). Debts referred to the commissioner for collection under section 256.9792 may in turn be referred by the commissioner to the enterprise. An audited financial statement may not be required as a condition of debt placement with a private agency if the private agency: (1) has errors and omissions coverage under a professional liability policy in an amount of at least \$1,000,000; or (2) has a fidelity bond to cover actions of its employees, in an amount of at least \$100,000. In cases of debts referred under section 256.9792, the provisions of this chapter and section 256.9792 apply to the extent they are not in conflict. If they are in conflict, the provisions of section 256.9792 control. For purposes of this chapter, the referring agency for such debts remains the Department of Human Services.

EFFECTIVE DATE. This section is effective January 1, 2008.

Sec. 11. Minnesota Statutes 2006, section 16D.04, subdivision 2, is amended to read:

Subd. 2. **Agency participation.** (a) A referring agency ~~may, at its option,~~ must refer, by electronic means, debts to the commissioner for collection. ~~The ultimate~~ Responsibility for the debt, including the reporting of the debt to the commissioner of finance and the decision with regard to the continuing collection and uncollectibility of the debt, remains with the referring agency.

(b) Before a debt becomes 121 days past due, a referring agency may refer the debt to the commissioner for collection at any time after a debt becomes delinquent and uncontested and the debtor has no further administrative appeal of the amount of the debt. When a debt owed to a state referring agency becomes 121 days past due, the state referring agency must refer the debt to the commissioner for collection. This requirement does not apply if there is a dispute over the amount or validity of the debt, if the debt is the subject of legal action or administrative proceedings, or the agency determines that the debtor is adhering to acceptable payment arrangements. The commissioner, in consultation with the commissioner of finance, may provide that certain types of debt need not be referred to the commissioner for collection under this paragraph. Methods and procedures for referral must follow internal guidelines prepared by the commissioner of finance.

(c) If the referring agency is a court, the court must furnish a debtor's Social Security number to the commissioner when the court refers the debt.

EFFECTIVE DATE. This section is effective for debts referred on or after January 1, 2008.

Sec. 12. Minnesota Statutes 2006, section 16D.11, subdivision 2, is amended to read:

Subd. 2. **Computation.** At the time a debt is referred, the amount of collection costs is equal to ~~15~~ 17 percent of the debt, ~~or 25 percent of the debt remaining unpaid if the commissioner or private collection agency has to take enforced collection action by serving a summons and complaint on or entering judgment against the debtor, or by utilizing any of the remedies authorized under section 16D.08, subdivision 2, except for the remedies in sections 270C.32 and 270C.65 or when referred by the commissioner for additional collection activity by a private collection agency.~~ If, after referral of a debt to a private collection agency, the debtor requests cancellation of collection costs under subdivision 3, the debt must be returned to the commissioner for resolution of the request.

EFFECTIVE DATE. This section is effective for debts referred on or after January 1, 2008.

Sec. 13. Minnesota Statutes 2006, section 16D.11, subdivision 7, is amended to read:

Subd. 7. **Adjustment of rate.** By June 1 of each year, the commissioner ~~of finance~~ shall determine the rate of collection costs for debts referred to the enterprise during the next fiscal year. The rate is a percentage of the debts in an amount that most nearly equals the costs of the enterprise necessary to process and collect referred debts under this chapter. In no event ~~shall the rate of collection costs when a debt is first referred exceed three-fifths of the maximum collection costs, and in no event shall the rate of the maximum collection costs exceed 25 percent of the debt.~~ Determination of the rate of collection costs under this section is not subject to the fee setting requirements of section 16A.1285.

EFFECTIVE DATE. This section is effective January 1, 2008.

Sec. 14. Minnesota Statutes 2006, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city ~~presenting a claim for a municipal hospital or a public library or a municipal ambulance service,~~ a hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program, and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11. A county may act as a claimant agency on behalf of an ambulance service licensed under chapter 144E if the ambulance service's primary service area is located at least in part within the county, but more than one county may not act as a claimant agency for a licensed ambulance service with respect to the same debt.

Sec. 15. Minnesota Statutes 2006, section 270B.01, subdivision 8, is amended to read:

Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means:

(1) the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 295, 297A, 297B, and 297H, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees; and

(2) section 273.1315.

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

Sec. 16. Minnesota Statutes 2006, section 270B.02, subdivision 3, is amended to read:

Subd. 3. **Confidential data on individuals; protected nonpublic data.** (a) Except as provided in paragraph (b), the name or existence of an informer, informer letters, and other data, in whatever form, given to the Department of Revenue by a person, other than the data subject, who informs that a specific person is not or may not be in compliance with tax laws, or nontax laws administered by the Department of Revenue, including laws ~~other than those relating to property taxes~~ not listed in section 270B.01, subdivision 8, are confidential data on individuals or protected nonpublic data as defined in section 13.02, subdivisions 3 and 13. This paragraph does not apply to laws relating to property taxes.

(b) Data under paragraph (a) may be disclosed with the consent of the informer or upon a written finding by a court that the information provided by the informer was false and that there is evidence that the information was provided in bad faith. This subdivision does not alter disclosure responsibilities or obligations under the Rules of Criminal Procedure.

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

Sec. 17. Minnesota Statutes 2006, section 270B.085, is amended by adding a subdivision to read:

Subd. 3. **Collection of nontax debt.** The commissioner may use return information for the purpose of collecting debts referred to the commissioner under chapter 16D.

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

Sec. 18. Minnesota Statutes 2006, section 270B.14, subdivision 3, is amended to read:

Subd. 3. **Administration of enterprise, job opportunity, and biotechnology and health sciences industry zone ~~program~~ programs.** The commissioner may disclose return information relating to the taxes imposed by chapters 290 and 297A to the Department of Employment and Economic Development or a municipality receiving an enterprise zone designation under section 469.169 but only as necessary to administer the funding limitations under section 469.169, subdivision 7-, or to the Department of Employment and Economic Development and appropriate officials from the local government units in which a qualified business is located but only as necessary to enforce the job opportunity building zone benefits under section 469.315, or biotechnology and health sciences industry zone benefits under section 469.336.

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

Sec. 19. Minnesota Statutes 2006, section 270C.56, subdivision 1, is amended to read:

Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others, has the control of, supervision of, or responsibility for filing returns or reports, paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a person who is liable under any other law, is liable for the payment of taxes, penalties, and interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 290.92 and 297E.02, and, for the taxes listed in this subdivision, the applicable penalties for nonpayment under section 289A.60.

EFFECTIVE DATE. This section is effective for personal liability assessments made on or after the day following final enactment.

Sec. 20. Minnesota Statutes 2006, section 270C.63, subdivision 9, is amended to read:

Subd. 9. **Period of limitations.** The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax or final administrative or judicial determination of the assessment. A notice of lien filed at the Office of the Secretary of State may be transcribed to any county within ten years after the date of its filing, but the transcription does not extend the period during which the lien is enforceable. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

EFFECTIVE DATE. This section is effective for liens transcribed on or after the day following final enactment.

Sec. 21. Minnesota Statutes 2006, section 273.1315, is amended to read:

273.1315 CERTIFICATION OF CLASS 1B PROPERTY.

Subdivision 1. **Class 1b homestead declaration before 2008.** Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2007, shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

- (a) the information necessary to verify that on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification; and
- (b) any additional information prescribed by the commissioner.

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

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

Subd. 2. **Class 1b homestead declaration 2008 and thereafter.** Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section

273.13, subdivision 22, paragraph (b), after October 1, 2007, shall file with the county assessor a class 1b homestead declaration, on a form prescribed by the commissioner of revenue. The declaration must contain the following information:

(1) the information necessary to verify that, on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for class 1b classification; and

(2) any additional information prescribed by the commissioner.

The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The Social Security numbers and income and medical information received from the property owner pursuant to this section are private data on individuals as defined in section 13.02. If approved by the assessor, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

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

Sec. 22. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

Subdivision 1. **Determination.** All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. ~~Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.~~ Except as otherwise provided in section 291.215, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under said sections for Minnesota estate tax purposes, provided that, in cases where a federal estate tax return is required to be filed and a federal tax of at least one dollar, values for probate and nonprobate assets shall be as finally determined for federal estate tax purposes.

Sec. 23. **JOINT LEGISLATIVE SUBCOMMITTEE ON SALES AND USE TAX.**

Subdivision 1. **Creation.** A legislative subcommittee on sales tax is created.

Subd. 2. **Duties.** The subcommittee must:

(1) examine the revenue productivity and equity implications of the current sales and use tax base and alternative tax bases;

(2) examine the implications of demographic and economic trends for the future revenue adequacy of the current sales and use tax base;

(3) examine the sales and use tax base, the exemptions, and the rate and recommend to the legislature alternative tax structures to improve revenue stability and equity of tax imposition;

(4) examine the tax burdens on individuals and businesses and recommend to the legislature

alternative structures that would improve the horizontal and vertical equity of the tax burden;

(5) examine the administrative and compliance burden of the taxes;

(6) examine and report on broadening the sales and use tax base in conjunction with a lower rate and exemption for business inputs on the vertical equity of the taxes; and

(7) file a report with the chairs and the ranking minority members of the committees on taxes in the senate and the house of representatives no later than March 30, 2008.

Subd. 3. **Membership.** The subcommittee must consist of ten members of the legislature as follows:

(1) four members of the senate, including at least one member of the minority party, to be appointed by the chair of the senate committee on taxes;

(2) four members of the house of representatives, including one member of the minority party, to be appointed by the chair of the house of representatives committee on taxes;

(3) the chair of the senate committee on taxes; and

(4) the chair of the house of representatives committee on taxes.

Subd. 4. **Assistance of other agencies.** (a) The subcommittee may request information from any state officer or agency to assist in carrying out its duties under this section. The officer or agency must promptly provide the data requested to the extent permitted by law.

(b) The commissioner of revenue shall prepare, maintain, and make available to the commission data in the form and manner that the subcommittee determines will facilitate in discharging its duties under this section.

Sec. 24. **DATA UPDATE.**

The commissioner of revenue must continue to maintain, update, and make available the information required under Laws 1987, chapter 268, article 7, section 1, subdivision 6, paragraph (b). The commissioner must provide the most complete and current data available, when requested, to the chairs of the senate and house of representatives committees on taxes.

Sec. 25. **BUDGET RESERVE TRANSFER.**

If Senate File No. 2054 or another bill providing for a transfer of funds to the budget reserve is enacted at the 2007 session of the legislature, section 8 of this article is not enacted.

Sec. 26. **REPEALER.**

Minnesota Statutes 2006, section 16A.1522, is repealed."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, motor vehicle, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, mortgage, deed, and production taxes, and other taxes and tax-related provisions; requiring withholding; providing and modifying income tax

credits; modifying taxation of certain compensation paid to nonresidents; providing for taxation of foreign operating corporations; modifying and authorizing sales tax exemptions; modifying and authorizing local government sales taxes; modifying the residential and agricultural homestead market value credit; modifying certain levies, property valuation procedures, property tax classes, and tax bases; changing and providing property tax exemptions; modifying the state general levy and providing for deposit of revenues; providing for aids to local governments; increasing property tax refunds; extending a petrofund fee exemption; modifying fiscal disparities computation for city of Bloomington; changing provisions relating to fiscal disparities, education financing, state debt collection procedures, sustainable forest incentives programs, and distributions of production tax proceeds; conforming provisions to certain changes in federal laws, changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; providing for issuance of obligations by political subdivisions, and use of the proceeds of the debt; authorizing local governments to provide certain development incentives; imposing conditions on local incentive grants; limiting availability of JOBZ benefits; providing rules for operation of certain tax increment financing districts; providing for financing of certain postretirement benefits; validating certain trusts; transferring money to the budget reserve account; appropriating money; amending Minnesota Statutes 2006, sections 3.987, subdivision 1; 3.988, subdivision 3; 3.989, subdivisions 2, 3; 13.4965, subdivision 3; 16A.103, subdivision 2; 16A.152, subdivisions 1a, 1b, 2; 16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 37.13, by adding a subdivision; 62I.06, subdivision 6; 71A.04, subdivision 1; 97A.061, subdivision 2; 118A.03, subdivision 3; 123B.53, subdivision 5; 123B.61; 126C.01, subdivision 3, by adding a subdivision; 127A.48, subdivision 2, by adding a subdivision; 163.051, subdivision 5; 168.012, subdivision 1; 256B.0911, subdivision 3; 270.071, subdivision 7; 270.072, subdivisions 2, 3, 6; 270.074, subdivision 3; 270.076, subdivision 1; 270.41, subdivisions 1, 2, 3, 5, by adding a subdivision; 270.44; 270.45; 270.46; 270.47; 270.48; 270.50; 270A.03, subdivisions 2, 5; 270B.01, subdivision 8; 270B.02, subdivision 3; 270B.085, by adding a subdivision; 270B.14, subdivision 3; 270C.306; 270C.34, subdivision 1; 270C.446, subdivision 2; 270C.56, subdivision 1; 270C.63, subdivision 9; 272.02, subdivision 64, by adding subdivisions; 272.115, subdivision 1; 273.05, by adding a subdivision; 273.11, subdivision 1a; 273.111, subdivisions 2, 3, 6, 14; 273.112, subdivision 3; 273.117; 273.121; 273.123, subdivisions 2, 3, 7; 273.124, subdivisions 11, 13, 14, 21, by adding a subdivision; 273.125, subdivision 8; 273.128, subdivision 1; 273.13, subdivisions 22, 23, 24, 25, 33; 273.1315; 273.1384, subdivisions 1, 2; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.025, subdivisions 1, 2, 4; 275.065, subdivisions 3, 5a; 275.067; 276.04, by adding a subdivision; 276A.01, subdivision 3; 276A.04; 277.01, subdivision 2; 279.01, subdivision 1; 279.37, subdivision 1a; 280.39; 287.22; 287.2205; 289A.02, subdivision 7; 289A.08, subdivision 11; 289A.09, subdivision 2; 289A.12, subdivision 14; 289A.18, subdivision 1; 289A.20, subdivision 4; 289A.31, subdivision 7; 289A.40, subdivision 2; 289A.56, by adding a subdivision; 289A.60, subdivisions 8, 12, 15, 25, 27, by adding subdivisions; 290.01, subdivisions 6b, 19, as amended, 19a, 19b, as amended, 19c, 19d, 29, 31, as amended; 290.06, subdivision 33, by adding a subdivision; 290.067, subdivision 2b; 290.0671, subdivision 7; 290.0677, subdivision 1; 290.091, subdivisions 2, 3; 290.0921, subdivision 3; 290.0922, subdivision 2; 290.10; 290.17, subdivision 2; 290.191, subdivisions 2, 8; 290.34, by adding a subdivision; 290.92, by adding a subdivision; 290A.03, subdivisions 7, 15, as amended; 290A.04, subdivisions 2, 2a, 4; 290A.10; 290B.03, subdivision 2; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.07; 290C.11; 291.005, subdivision 1; 291.215, subdivision 1; 295.52, subdivisions 4, 4a; 295.54, subdivision 2; 297A.61, subdivisions 3, 4, 7, 10, 12, 24, by adding subdivisions; 297A.63, subdivision 1; 297A.665; 297A.668, by

adding a subdivision; 297A.669, subdivisions 3, 13, 14, by adding subdivisions; 297A.67, subdivisions 8, 9, 28; 297A.68, subdivisions 5, 11, 16, 35; 297A.69, subdivisions 3, 4; 297A.70, subdivisions 7, 8, by adding a subdivision; 297A.71, by adding subdivisions; 297A.72; 297A.90, subdivision 2; 297B.035, subdivision 1; 297F.09, subdivision 10; 297G.09, subdivision 9; 297I.06, subdivisions 1, 2; 297I.15, by adding a subdivision; 297I.20, subdivision 2; 297I.40, subdivision 5; 297I.85, by adding a subdivision; 298.22, subdivision 7, by adding a subdivision; 298.221; 298.2211, subdivision 1, by adding a subdivision; 298.227; 298.24, subdivision 1; 298.25; 298.28, subdivisions 4, 5, 10; 298.292, subdivision 2; 298.2961, subdivisions 4, 5; 298.75, subdivisions 1, 3, 7, by adding a subdivision; 331A.05, subdivision 2; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 375B.09; 383A.80, subdivision 4; 383B.117, subdivision 2; 383B.80, subdivision 4; 410.32; 412.301; 424A.10, subdivision 3; 453A.02, subdivision 3; 469.169, by adding a subdivision; 469.1734, subdivision 6; 469.313, by adding a subdivision; 473.39, by adding a subdivision; 473.446, subdivisions 2, 8; 473F.08, subdivision 5, by adding a subdivision; 475.52, subdivision 6; 475.58, subdivisions 1, 3b; 477A.011, subdivision 36; 477A.0124, subdivisions 4, 5; 477A.013, subdivisions 1, 8, 9; 477A.03, subdivisions 2a, 2b; 477A.12, subdivision 1; 477A.14, subdivision 1; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1988, chapter 645, section 3, as amended; Laws 1989, chapter 211, section 8, subdivision 4, as amended; Laws 1993, chapter 375, article 9, section 45, subdivisions 2, as amended, 3, as amended, 4, as amended; Laws 1995, chapter 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; Laws 1996, chapter 464, article 1, section 8, subdivision 3; Laws 1999, chapter 243, article 4, section 18, subdivisions 1, 3, 4; Laws 2002, chapter 377, article 12, section 16, subdivision 1; Laws 2003, chapter 128, article 1, section 172, as amended; Laws 2006, chapter 259, article 11, section 3; Laws 2005, First Special Session chapter 3, article 5, section 39; article 10, section 23; proposing coding for new law in Minnesota Statutes, chapters 270; 270C; 273; 274; 290; 290C; 297A; 383C; 383D; 383E; 469; 471; repealing Minnesota Statutes 2006, sections 16A.1522; 126C.21, subdivision 4; 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 275.025, subdivision 3; 279.01, subdivisions 2, 4; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22; 473.4461; Laws 1998, chapter 389, article 11, section 18."

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 997: A bill for an act relating to energy; authorizing a decoupling rate mechanism for utilities; regulating the energy savings duties of landlords; requiring the commissioner of commerce to make various assessments for purposes of energy research and development, technical assistance, and other conservation matters; altering the obligations of gas and electric utilities under the conservation investment program; amending Minnesota Statutes 2006, sections 123B.65, subdivision 2; 216B.16, subdivisions 1, 6b; 216B.241; 216C.31; 471.345, subdivision 13; 504B.161, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 216B; repealing Minnesota Statutes 2006, sections 216B.165; 216C.27; 216C.30, subdivision 5; Minnesota Rules, parts 7635.0100; 7635.0110; 7635.0120; 7635.0130; 7635.0140; 7635.0150; 7635.0160; 7635.0170; 7635.0180; 7635.0200; 7635.0210; 7635.0220; 7635.0230; 7635.0240; 7635.0250; 7635.0260; 7635.0300; 7635.0310; 7635.0320; 7635.0330; 7635.0340; 7635.0400; 7635.0410; 7635.0420; 7635.0500; 7635.0510; 7635.0520; 7635.0530; 7635.0600; 7635.0610; 7635.0620; 7635.0630; 7635.0640; 7635.1000; 7635.1010; 7635.1020; 7635.1030; 7655.0100; 7655.0120; 7655.0200; 7655.0220; 7655.0230; 7655.0240; 7655.0250; 7655.0260; 7655.0270;

7655.0280; 7655.0290; 7655.0300; 7655.0310; 7655.0320; 7655.0330; 7655.0400; 7655.0410; 7655.0420.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

ENERGY EFFICIENCY AND CONSERVATION

Section 1. Minnesota Statutes 2006, section 216B.16, subdivision 1, is amended to read:

Subdivision 1. **Notice.** Unless the commission otherwise orders, no public utility shall change a rate which has been duly established under this chapter, except upon 60 days' notice to the commission. The notice shall include statements of facts, expert opinions, substantiating documents, and exhibits, supporting the change requested, and state the change proposed to be made in the rates then in force and the time when the modified rates will go into effect. If the filing utility does not have an approved energy conservation improvement plan on file with the department, it shall also include in its notice an energy conservation plan pursuant to section 216B.241. A filing utility subject to rate regulation under section 216B.026 shall reference in its notice the energy conservation improvement plans of the generation and transmission cooperative providing energy conservation improvement programs to members of the filing utility pursuant to section 216B.241. The filing utility shall give written notice, as approved by the commission, of the proposed change to the governing body of each municipality and county in the area affected. All proposed changes shall be shown by filing new schedules or shall be plainly indicated upon schedules on file and in force at the time.

Sec. 2. Minnesota Statutes 2006, section 216B.16, subdivision 6b, is amended to read:

Subd. 6b. **Energy conservation improvement.** (a) Except as otherwise provided in this subdivision, all investments and expenses of a public utility as defined in section 216B.241, subdivision 1, paragraph ~~(e)~~ (i), incurred in connection with energy conservation improvements shall be recognized and included by the commission in the determination of just and reasonable rates as if the investments and expenses were directly made or incurred by the utility in furnishing utility service.

(b) ~~After December 31, 1999, Investments and expenses for energy conservation improvements shall not be included by the commission in the determination of (i) just and reasonable electric and gas rates for retail electric and gas service provided to large electric customer facilities that have been exempted by the commissioner of the department pursuant to section 216B.241, subdivision 1a, paragraph (b); or (ii) just and reasonable gas rates for large energy facilities. However, no public utility shall be prevented from recovering its investment in energy conservation improvements from all customers that were made on or before December 31, 1999, in compliance with the requirements of section 216B.241.~~

(c) The commission may permit a public utility to file rate schedules providing for annual recovery of the costs of energy conservation improvements. These rate schedules may be applicable to less than all the customers in a class of retail customers if necessary to reflect the ~~differing minimum spending~~ requirements of section 216B.241, subdivision 1a. ~~After December 31, 1999,~~ The commission shall allow a public utility, without requiring a general rate filing under this

section, to reduce the electric and gas rates applicable to large electric customer facilities that have been exempted by the commissioner of the department pursuant to section 216B.241, subdivision 1a, paragraph (b), and to reduce the gas rate applicable to a large energy facility by an amount that reflects the elimination of energy conservation improvement investments or expenditures for those facilities ~~required on or before December 31, 1999~~. In the event that the commission has set electric or gas rates based on the use of an accounting methodology that results in the cost of conservation improvements being recovered from utility customers over a period of years, the rate reduction may occur in a series of steps to coincide with the recovery of balances due to the utility for conservation improvements made by the utility on or before December 31, ~~1999~~ 2007.

Sec. 3. [216B.1636] RECOVERY OF ELECTRIC UTILITY INFRASTRUCTURE COSTS.

Subdivision 1. Definitions. (a) "Electric utility" means a public utility as defined in section 216B.02, subdivision 4, that furnishes electric service to retail customers.

(b) "Electric utility infrastructure costs" or "EUIC" means costs for electric utility infrastructure projects that were not included in the electric utility's rate base in its most recent general rate case.

(c) "Electric utility infrastructure projects" means projects that:

(1) replace or modify existing electric utility infrastructure, including utility-owned buildings, if the replacement or modification is shown to conserve energy or use energy more efficiently, consistent with section 216B.241, subdivision 1c; or

(2) conserve energy or use energy more efficiently by using waste heat recovery converted into electricity as defined in section 216B.241, subdivision 1, paragraph (n).

Subd. 2. Filing. (a) The commission may approve an electric utility's petition for a rate schedule to recover EUIC under this section. An electric utility may petition the commission to recover a rate of return, income taxes on the rate of return, incremental property taxes, if any, plus incremental depreciation expense associated with EUIC.

(b) The filing is subject to the following:

(1) an electric utility may submit a filing under this section no more than once per year; and

(2) an electric utility must file sufficient information to satisfy the commission regarding the proposed EUIC or be subject to denial by the commission. The information includes, but is not limited to:

(i) the location, description, and costs associated with the project;

(ii) evidence that the electric utility infrastructure project will conserve energy or use energy more efficiently than similar utility facilities currently used by the electric utility;

(iii) the proposed schedule for implementation;

(iv) a description of the costs, and salvage value, if any, associated with the existing infrastructure replaced or modified as a result of the project;

(v) the proposed rate design and an explanation of why the proposed rate design is in the public

interest;

(vi) the magnitude of timing of any known future electric utility projects that the utility may seek to recover under this section;

(vii) the magnitude of EUIC in relation to the electric utility's base revenue as approved by the commission in the electric utility's most recent general rate case, exclusive of fuel cost adjustments;

(viii) the magnitude of EUIC in relation to the electric utility's capital expenditures since its most recent general rate case;

(ix) the amount of time since the utility last filed a general rate case and the utility's reasons for seeking recovery outside of a general rate case;

(x) documentation supporting the calculation of the EUIC; and

(xi) a cost and benefit analysis showing that the electric utility infrastructure project is in the public interest.

Upon approval of the proposed projects and associated EUIC rate schedule, the utility may implement the electric utility infrastructure projects.

Subd. 3. **Commission authority; orders.** The commission may issue orders necessary to implement and administer this section.

Sec. 4. **[216B.2401] ENERGY CONSERVATION POLICY GOAL.**

It is the energy policy of the state of Minnesota to achieve annual energy savings equal to 1.5 percent of annual retail energy sales of electricity and natural gas directly through energy conservation improvement programs and rate design, and indirectly through energy codes and appliance standards, programs designed to transform the market or change consumer behavior, energy savings resulting from efficiency improvements to the utility infrastructure and system, and other efforts to promote energy efficiency and energy conservation.

Sec. 5. Minnesota Statutes 2006, section 216B.241, is amended to read:

216B.241 ENERGY CONSERVATION IMPROVEMENT.

Subdivision 1. **Definitions.** For purposes of this section and section 216B.16, subdivision 6b, the terms defined in this subdivision have the meanings given them.

(a) "Commission" means the Public Utilities Commission.

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

(c) "Customer facility" means all buildings, structures, equipment, and installations at a single site.

(d) "Department" means the Department of Commerce.

(e) "Energy conservation" means demand-side management of energy supplies resulting in a net reduction in energy use. Load management that reduces overall energy use is energy conservation.

(f) "Energy efficiency" means measures or programs, including energy conservation measures

or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

(g) "Energy conservation improvement" means a project that results in energy efficiency or energy conservation. Energy conservation improvement does not include waste heat recovery converted into electricity or electric utility infrastructure projects approved by the commission under section 216B.1636.

~~(g)~~ (h) "Gross annual retail energy sales" means annual electric sales to all retail customers in a utility's or association's Minnesota service territory or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Minnesota. For purposes of this section, gross annual retail energy sales exclude gas sales to a large energy facility and gas and electric sales to a large electric customer facility exempted by the commissioner under subdivision 1a, paragraph (b).

(i) "Investments and expenses of a public utility" includes the investments and expenses incurred by a public utility in connection with an energy conservation improvement, including but not limited to:

(1) the differential in interest cost between the market rate and the rate charged on a no-interest or below-market interest loan made by a public utility to a customer for the purchase or installation of an energy conservation improvement;

(2) the difference between the utility's cost of purchase or installation of energy conservation improvements and any price charged by a public utility to a customer for such improvements.

~~(h)~~ (j) "Large electric customer facility" means a customer facility that imposes a peak electrical demand on an electric utility's system of not less than 20,000 kilowatts, measured in the same way as the utility that serves the customer facility measures electrical demand for billing purposes, and for which electric services are provided at retail on a single bill by a utility operating in the state.

~~(i)~~ (k) "Large energy facility" has the meaning given it in section 216B.2421, subdivision 2, clause (1).

(l) "Load management" means an activity, service, or technology to change the timing or the efficiency of a customer's use of energy that allows a utility or a customer to respond to wholesale market fluctuations or to reduce ~~the overall~~ peak demand for energy or capacity.

(m) "Low income programs" means energy conservation improvement programs that directly serve the needs of low income persons, including low income renters.

(n) "Waste heat recovery converted into electricity" means an energy recovery process that converts otherwise lost energy from the heat of exhaust stacks or pipes used for engines or manufacturing or industrial processes, or the reduction of high pressure in water or gas pipelines.

Subd. 1a. **Investment, expenditure, and contribution; public utility.** (a) For purposes of this subdivision and subdivision 2, "public utility" has the meaning given it in section 216B.02, subdivision 4. Each public utility shall spend and invest for energy conservation improvements under this subdivision and subdivision 2 the following amounts:

(1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues from service provided in the state;

(2) for a utility that furnishes electric service, 1.5 percent of its gross operating revenues from service provided in the state; and

(3) for a utility that furnishes electric service and that operates a nuclear-powered electric generating plant within the state, two percent of its gross operating revenues from service provided in the state.

For purposes of this paragraph (a), "gross operating revenues" do not include revenues from large electric customer facilities exempted by the commissioner under paragraph (b).

(b) The owner of a large electric customer facility may petition the commissioner to exempt both electric and gas utilities serving the large energy customer facility from the investment and expenditure requirements of paragraph (a) with respect to retail revenues attributable to the facility. At a minimum, the petition must be supported by evidence relating to competitive or economic pressures on the customer and a showing by the customer of reasonable efforts to identify, evaluate, and implement cost-effective conservation improvements at the facility. If a petition is filed on or before October 1 of any year, the order of the commissioner to exempt revenues attributable to the facility can be effective no earlier than January 1 of the following year. The commissioner shall not grant an exemption if the commissioner determines that granting the exemption is contrary to the public interest. The commissioner may, after investigation, rescind any exemption granted under this paragraph upon a determination that ~~cost-effective~~ the customer is not continuing to make reasonable efforts to identify, evaluate, and implement energy conservation improvements available at the large electric customer facility. ~~For the purposes of this paragraph, "cost-effective" means that the projected total cost of the energy conservation improvement at the large electric customer facility is less than the projected present value of the energy and demand savings resulting from the energy conservation improvement.~~ For the purposes of investigations by the commissioner under this paragraph, the owner of any large electric customer facility shall, upon request, provide the commissioner with updated information comparable to that originally supplied in or with the owner's original petition under this paragraph.

(c) The commissioner may require investments or spending greater than the amounts required under this subdivision for a public utility whose most recent advance forecast required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100 megawatts or greater within five years under midrange forecast assumptions.

(d) A public utility or owner of a large electric customer facility may appeal a decision of the commissioner under paragraph (b) or (c) to the commission under subdivision 2. In reviewing a decision of the commissioner under paragraph (b) or (c), the commission shall rescind the decision if it finds that the required investments or spending will:

(1) not result in cost-effective energy conservation improvements; or

(2) otherwise not be in the public interest.

~~(e) Each utility shall determine what portion of the amount it sets aside for conservation improvement will be used for conservation improvements under subdivision 2 and what portion it will contribute to the energy and conservation account established in subdivision 2a. A public~~

~~utility may propose to the commissioner to designate that all or a portion of funds contributed to the account established in subdivision 2a be used for research and development projects that can best be implemented on a statewide basis. Contributions must be remitted to the commissioner by February 1 of each year. Nothing in this subdivision prohibits a public utility from spending or investing for energy conservation improvement more than required in this subdivision.~~

Subd. 1b. **Conservation improvement by cooperative association or municipality.** (a) This subdivision applies to:

- (1) a cooperative electric association that provides retail service to its members;
- (2) a municipality that provides electric service to retail customers; and
- (3) a municipality with gross operating revenues in excess of \$5,000,000 from sales of more than 1,000,000,000 cubic feet in annual throughput sales to natural gas to retail customers.

(b) Each cooperative electric association and municipality subject to this subdivision shall spend and invest for energy conservation improvements under this subdivision the following amounts:

(1) for a municipality, 0.5 percent of its gross operating revenues from the sale of gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding gross operating revenues from electric and gas service provided in the state to large electric customer facilities; and

(2) for a cooperative electric association, 1.5 percent of its gross operating revenues from service provided in the state, excluding gross operating revenues from service provided in the state to large electric customer facilities indirectly through a distribution cooperative electric association.

(c) Each municipality and cooperative electric association subject to this subdivision shall identify and implement energy conservation improvement spending and investments that are appropriate for the municipality or association, except that a municipality or association may not spend or invest for energy conservation improvements that directly benefit a large energy facility or a large electric customer facility for which the commissioner has issued an exemption under subdivision 1a, paragraph (b).

(d) Each municipality and cooperative electric association subject to this subdivision may spend and invest annually up to ten percent of the total amount required to be spent and invested on energy conservation improvements under this subdivision on research and development projects that meet the definition of energy conservation improvement in subdivision 1 and that are funded directly by the municipality or cooperative electric association.

~~(e) Load-management activities that do not reduce energy use but that increase the efficiency of the electric system may be used to meet 50 percent of the conservation investment and spending requirements of this subdivision.~~

(f) A generation and transmission cooperative electric association that provides energy services to cooperative electric associations that provide electric service at retail to consumers may invest in energy conservation improvements on behalf of the associations it serves and may fulfill the conservation, spending, reporting, and energy savings goals on an aggregate basis. A municipal power agency or other not-for-profit entity that provides energy service to municipal utilities that provide electric service at retail may invest in energy conservation improvements on behalf of the municipal utilities it serves and may fulfill the conservation, spending, reporting, and energy

savings goals on an aggregate basis, under an agreement between the municipal power agency or not-for-profit entity and each municipal utility for funding the investments.

~~(g) At least every four years, on a schedule determined by the commissioner, each municipality or cooperative shall file an overview of its conservation improvement plan with the commissioner. With this overview, Each municipality or cooperative shall file energy conservation improvement plans by June 1 on a schedule determined by order of the commissioner, but at least every three years. Plans received by June 1 must be approved or approved as modified by the commissioner by December 1 of the same year. The municipality or cooperative shall also provide an evaluation to the commissioner detailing its energy conservation improvement spending and investments for the previous period. The evaluation must briefly describe each conservation program and must specify the energy savings or increased efficiency in the use of energy within the service territory of the utility or association that is the result of the spending and investments. The evaluation must analyze the cost-effectiveness of the utility's or association's conservation programs, using a list of baseline energy and capacity savings assumptions developed in consultation with the department. The commissioner shall review each evaluation and make recommendations, where appropriate, to the municipality or association to increase the effectiveness of conservation improvement activities. Up to three percent of a utility's conservation spending obligation under this section may be used for program pre-evaluation, testing, and monitoring and program evaluation. The overview and evaluation filed by a municipality with less than 60,000,000 kilowatt hours in annual retail sales of electric service may consist of a letter from the governing board of the municipal utility to the department providing the amount of annual conservation spending required of that municipality and certifying that the required amount has been spent on conservation programs pursuant to this subdivision.~~

~~(h) The commissioner shall also review each evaluation for whether a portion of the money spent on residential conservation improvement programs is devoted to programs that directly address the needs of renters and low-income persons unless an insufficient number of appropriate programs are available. For the purposes of this subdivision and subdivision 2, "low-income" means an income at or below 50 percent of the state median income.~~

~~(i) As part of its spending for conservation improvement, a municipality or association may contribute to the energy and conservation account. A municipality or association may propose to the commissioner to designate that all or a portion of funds contributed to the account be used for research and development projects that can best be implemented on a statewide basis. Any amount contributed must be remitted to the commissioner by February 1 of each year.~~

~~(j) (h) A municipality may spend up to 50 percent of its required spending under this section to refurbish an existing district heating or cooling system. This paragraph expires until July 1, 2007. From July 1, 2007, through June 30, 2011, expenditures made to refurbish a district heating or cooling system are considered to be load-management activities under paragraph (e). This paragraph expires July 1, 2011.~~

(i) The commissioner shall consider and may require a utility, association, or other entity providing energy efficiency and conservation services under this section to undertake a program suggested by an outside source, including a political subdivision, nonprofit corporation, or community organization.

Subd. 1c. **Energy-saving goals.** (a) The commissioner shall establish energy-saving goals

for energy conservation improvement expenditures and shall evaluate an energy conservation improvement program on how well it meets the goals set.

(b) Each individual utility and association shall have an annual energy-savings goal equivalent to 1.5 percent of gross annual retail energy sales unless modified by the commissioner under paragraph (d). The savings goals must be calculated based on the most recent three-year weather normalized average.

(c) The commissioner must adopt a filing schedule that is designed to have all utilities and associations operating under an energy savings plan by calendar year 2010.

(d) In its energy conservation improvement plan filing, a utility or association may request the commissioner to adjust its annual energy savings percentage goal based on its historical conservation investment experience, customer class makeup, load growth, a conservation potential study, or other factors the commissioner determines warrants an adjustment. The commissioner may not approve a plan that provides for an annual energy savings goal of less than one percent of gross annual retail energy sales from energy conservation improvements. A utility or association may include in its energy conservation plan energy savings from an electric utility infrastructure project or waste heat recovery converted into electricity project approved by the commission under section 216B.1636 that may count as energy savings in addition to the minimum energy savings goal of at least one percent for energy conservation improvements. Electric utility infrastructure projects must result in increased energy efficiency greater than that which would have occurred through normal maintenance activity.

(e) An energy savings goal is not satisfied by attaining the revenue expenditure requirements of subdivisions 1a and 1b, but can only be satisfied by meeting the energy savings goal established in this subdivision.

(f) An association or utility is not required to make energy conservation investments to attain the energy savings goals of this subdivision that are not cost-effective even if the investment is necessary to attain the energy savings goals. For the purpose of this paragraph, in determining cost-effectiveness, the commissioner shall consider the costs and benefits to ratepayers, the utility, participants, and society. In addition, the commissioner shall consider the rate at which an association or municipal utility is increasing its energy savings and its expenditures on energy conservation.

(g) On an annual basis, the commissioner shall produce and make publicly available a report on the annual energy savings and estimated carbon dioxide reductions achieved by the energy conservation improvement programs for the two most recent years for which data is available. The commissioner shall report on program performance both in the aggregate and for each entity filing an energy conservation improvement plan for approval or review by the commissioner.

(h) By January 15, 2010, the commissioner shall report to the legislature whether the spending requirements under subdivisions 1a and 1b are necessary to achieve the energy savings goals established in this subdivision.

Subd. 1d. ~~Cooperative conservation investment increase phase-in~~ **Technical assistance.** The increase in required conservation improvement expenditures by a cooperative electric association that results from the amendments in Laws 2001, chapter 212, article 8, section 6, to subdivision 1b, paragraph (a), clause (1), must be phased in as follows:

- ~~(1) at least 25 percent shall be effective in year 2002;~~
- ~~(2) at least 50 percent shall be effective in year 2003;~~
- ~~(3) at least 75 percent shall be effective in year 2004; and~~
- ~~(4) all of the increase shall be effective in year 2005 and thereafter.~~

The commissioner shall evaluate energy conservation improvement programs on the basis of cost-effectiveness and the reliability of the technologies employed. The commissioner shall, by order, establish, maintain and update energy savings assumptions that must be used when filing energy conservation improvement programs. The commissioner shall establish an inventory of the most effective energy conservation programs, techniques, and technologies, and encourage all Minnesota utilities to implement them, where appropriate, in their service territories. The commissioner shall describe these programs in sufficient detail to provide a utility reasonable guidance concerning implementation. The commissioner shall prioritize the opportunities in order of potential energy savings and in order of cost-effectiveness. The commissioner may contract with a third party to carry out any of the commissioner's duties under this subdivision, and to obtain technical assistance to evaluate the effectiveness of any conservation improvement program. The commissioner may assess up to \$800,000 annually until June 30, 2009, and \$450,000 annually thereafter for the purposes of this subdivision. The assessments must be deposited in the state treasury and credited to the energy and conservation account created under subdivision 2a. An assessment made under this subdivision is not subject to the cap on assessments provided by section 216B.62, or any other law.

Subd. 1e. **Applied research and development grants.** The commissioner may, by order, approve and make grants for applied research and development projects of general applicability that identify new technologies or strategies to maximize energy savings, improve the effectiveness of energy conservation programs, or document the carbon dioxide reductions from energy conservation programs. When approving projects, the commissioner shall consider proposals and comments from utilities and other interested parties. The commissioner may assess up to \$3,600,000 annually for the purposes of this subdivision. The assessments must be deposited in the state treasury and credited to the energy and conservation account created under subdivision 2a. An assessment made under this subdivision is not subject to the cap on assessments provided by section 216B.62, or any other law.

Subd. 1f. **Facilities energy efficiency.** (a) The commissioner of administration and the commissioner of commerce shall maintain and, as needed, revise the sustainable building design guidelines developed under section 16B.325.

(b) The commissioner of administration and the commissioner of commerce shall maintain and update the benchmarking tool developed under Laws 2001, chapter 212, article 1, section 3, so that all public buildings can use the benchmarking tool to maintain energy use information for the purposes of establishing energy efficiency benchmarks, tracking building performance and measuring the results of energy efficiency and conservation improvements.

(c) The commissioner shall require that utilities include in their conservation improvement plans programs that facilitate professional engineering verification to qualify a building as Energy Star-labeled or as Leadership in Energy and Environmental Design (LEED) certified. The state goal is to achieve certification of 1,000 commercial buildings as Energy Star-labeled, and 100

commercial buildings as LEED-certified by December 31, 2010.

(d) The commissioner may assess up to \$500,000 annually for the purposes of this subdivision. The assessments must be deposited in the state treasury and credited to the energy and conservation account created under subdivision 2a. An assessment made under this subdivision is not subject to the cap on assessments provided by section 216B.62, or any other law.

Subd. 2. Programs. (a) The commissioner may require public utilities to make investments and expenditures in energy conservation improvements, explicitly setting forth the interest rates, prices, and terms under which the improvements must be offered to the customers. The required programs must cover no more than a ~~four-year~~ three-year period. Public utilities shall file conservation improvement plans by June 1, on a schedule determined by order of the commissioner, but at least every ~~four~~ three years. Plans received by a public utility by June 1 must be approved or approved as modified by the commissioner by December 1 of that same year. ~~The commissioner shall give special consideration and encouragement to programs that bring about significant net savings through the use of energy efficient lighting.~~ The commissioner shall evaluate the program on the basis of cost-effectiveness and the reliability of technologies employed. The commissioner's order must provide to the extent practicable for a free choice, by consumers participating in the program, of the device, method, material, or project constituting the energy conservation improvement and for a free choice of the seller, installer, or contractor of the energy conservation improvement, provided that the device, method, material, or project seller, installer, or contractor is duly licensed, certified, approved, or qualified, including under the residential conservation services program, where applicable.

(b) The commissioner may require a utility to make an energy conservation improvement investment or expenditure whenever the commissioner finds that the improvement will result in energy savings at a total cost to the utility less than the cost to the utility to produce or purchase an equivalent amount of new supply of energy. The commissioner shall nevertheless ensure that every public utility operate one or more programs under periodic review by the department.

(c) Each public utility subject to subdivision 1a may spend and invest annually up to ten percent of the total amount required to be spent and invested on energy conservation improvements under this section by the utility on research and development projects that meet the definition of energy conservation improvement in subdivision 1 and that are funded directly by the public utility.

(d) A public utility may not spend for or invest in energy conservation improvements that directly benefit a large energy facility or a large electric customer facility for which the commissioner has issued an exemption pursuant to subdivision 1a, paragraph (b). The commissioner shall consider and may require a utility to undertake a program suggested by an outside source, including a political subdivision ~~or~~, a nonprofit corporation, or community organization.

~~(e) The commissioner may, by order, establish a list of programs that may be offered as energy conservation improvements by a public utility, municipal utility, cooperative electric association, or other entity providing conservation services pursuant to this section. The list of programs may include rebates for high efficiency appliances, rebates or subsidies for high efficiency lamps, small business energy audits, and building recommissioning. The commissioner may, by order, change this list to add or subtract programs as the commissioner determines is necessary to promote efficient and effective conservation programs.~~

~~(f) The commissioner shall ensure that a portion of the money spent on residential conservation~~

~~improvement programs is devoted to programs that directly address the needs of renters and low-income persons, in proportion to the amount the utility has historically spent on such programs based on the most recent three-year average relative to the utility's total conservation spending under this section, unless an insufficient number of appropriate programs are available.~~

~~(g)~~ (e) A utility, a political subdivision, or a nonprofit or community organization that has suggested a program, the attorney general acting on behalf of consumers and small business interests, or a utility customer that has suggested a program and is not represented by the attorney general under section 8.33 may petition the commission to modify or revoke a department decision under this section, and the commission may do so if it determines that the program is not cost-effective, does not adequately address the residential conservation improvement needs of low-income persons, has a long-range negative effect on one or more classes of customers, or is otherwise not in the public interest. The commission shall reject a petition that, on its face, fails to make a reasonable argument that a program is not in the public interest.

~~(h)~~ (f) The commissioner may order a public utility to include, with the filing of the utility's proposed conservation improvement plan under paragraph (a), the results of an independent audit of the utility's conservation improvement programs and expenditures performed by the department or an auditor with experience in the provision of energy conservation and energy efficiency services approved by the commissioner and chosen by the utility. The audit must specify the energy savings or increased efficiency in the use of energy within the service territory of the utility that is the result of the spending and investments. The audit must evaluate the cost-effectiveness of the utility's conservation programs.

~~(i) Up to three percent of a utility's conservation spending obligation under this section may be used for program pre-evaluation, testing, and monitoring and program audit and evaluation.~~

Subd. 2a. **Energy and conservation account.** The energy and conservation account is established in the special revenue fund in the state treasury. The commissioner must deposit money contributed under subdivisions 1a and 1b assessed or contributed under subdivisions 1d, 1e, 1f, and 7 in the state treasury and credited to the energy and conservation account in the general special revenue fund. Money in the account is appropriated to the department commissioner for programs designed to meet the energy conservation needs of low-income persons and to make energy conservation improvements in areas not adequately served under subdivision 2, including research and development projects included in the definition of energy conservation improvement in subdivision 1 the purposes of subdivisions 1d, 1e, 1f, and 7. Interest on money in the account accrues to the account. Using information collected under section 216C.02, subdivision 1, paragraph (b), the commissioner must, to the extent possible, allocate enough money to programs for low-income persons to assure that their needs are being adequately addressed. The commissioner must request the commissioner of finance to transfer money from the account to the commissioner of education for an energy conservation program for low-income persons. In establishing programs, the commissioner must consult political subdivisions and nonprofit and community organizations, especially organizations engaged in providing energy and weatherization assistance to low-income persons. At least one program must address the need for energy conservation improvements in areas in which a high percentage of residents use fuel oil or propane to fuel their source of home heating. The commissioner may contract with a political subdivision, a nonprofit or community organization, a public utility, a municipality, or a cooperative electric association to implement its programs. The commissioner may provide grants

~~to any person to conduct research and development projects in accordance with this section.~~

Subd. 2b. **Recovery of expenses.** The commission shall allow a utility to recover expenses resulting from a conservation improvement program required by the department and contributions and assessments to the energy and conservation account, unless the recovery would be inconsistent with a financial incentive proposal approved by the commission. The commission shall allow a cooperative electric association subject to rate regulation under section 216B.026, to recover expenses resulting from energy conservation improvement programs, load management programs, and assessments and contributions to the energy and conservation account unless the recovery would be inconsistent with a financial incentive proposal approved by the commission. In addition, a utility may file annually, or the Public Utilities Commission may require the utility to file, and the commission may approve, rate schedules containing provisions for the automatic adjustment of charges for utility service in direct relation to changes in the expenses of the utility for real and personal property taxes, fees, and permits, the amounts of which the utility cannot control. A public utility is eligible to file for adjustment for real and personal property taxes, fees, and permits under this subdivision only if, in the year previous to the year in which it files for adjustment, it has spent or invested at least 1.75 percent of its gross revenues from provision of electric service, excluding gross operating revenues from electric service provided in the state to large electric customer facilities for which the commissioner has issued an exemption under subdivision 1a, paragraph (b), and 0.6 percent of its gross revenues from provision of gas service, excluding gross operating revenues from gas services provided in the state to large electric customer facilities for which the commissioner has issued an exemption under subdivision 1a, paragraph (b), for that year for energy conservation improvements under this section.

Subd. 2c. **Performance incentives.** By December 31, 2008, the commission shall review any incentive plan for energy conservation improvement it has approved under section 216B.16, subdivision 6c, and adjust the utility performance incentives to recognize making progress toward and meeting the energy savings goals established in subdivision 1c.

Subd. 3. **Ownership of energy conservation improvement.** An energy conservation improvement made to or installed in a building in accordance with this section, except systems owned by the utility and designed to turn off, limit, or vary the delivery of energy, are the exclusive property of the owner of the building except to the extent that the improvement is subjected to a security interest in favor of the utility in case of a loan to the building owner. The utility has no liability for loss, damage or injury caused directly or indirectly by an energy conservation improvement except for negligence by the utility in purchase, installation, or modification of the product.

Subd. 4. **Federal law prohibitions.** If investments by public utilities in energy conservation improvements are in any manner prohibited or restricted by federal law and there is a provision under which the prohibition or restriction may be waived, then the commission, the governor, or any other necessary state agency or officer shall take all necessary and appropriate steps to secure a waiver with respect to those public utility investments in energy conservation improvements included in this section.

Subd. 5. **Efficient lighting program.** (a) Each public utility, cooperative electric association, and municipal utility that provides electric service to retail customers shall include as part of its conservation improvement activities a program to strongly encourage the use of fluorescent and high-intensity discharge lamps. The program must include at least a public information campaign

to encourage use of the lamps and proper management of spent lamps by all customer classifications.

(b) A public utility that provides electric service at retail to 200,000 or more customers shall establish, either directly or through contracts with other persons, including lamp manufacturers, distributors, wholesalers, and retailers and local government units, a system to collect for delivery to a reclamation or recycling facility spent fluorescent and high-intensity discharge lamps from households and from small businesses as defined in section 645.445 that generate an average of fewer than ten spent lamps per year.

(c) A collection system must include establishing reasonably convenient locations for collecting spent lamps from households and financial incentives sufficient to encourage spent lamp generators to take the lamps to the collection locations. Financial incentives may include coupons for purchase of new fluorescent or high-intensity discharge lamps, a cash back system, or any other financial incentive or group of incentives designed to collect the maximum number of spent lamps from households and small businesses that is reasonably feasible.

(d) A public utility that provides electric service at retail to fewer than 200,000 customers, a cooperative electric association, or a municipal utility that provides electric service at retail to customers may establish a collection system under paragraphs (b) and (c) as part of conservation improvement activities required under this section.

(e) The commissioner of the Pollution Control Agency may not, unless clearly required by federal law, require a public utility, cooperative electric association, or municipality that establishes a household fluorescent and high-intensity discharge lamp collection system under this section to manage the lamps as hazardous waste as long as the lamps are managed to avoid breakage and are delivered to a recycling or reclamation facility that removes mercury and other toxic materials contained in the lamps prior to placement of the lamps in solid waste.

(f) If a public utility, cooperative electric association, or municipal utility contracts with a local government unit to provide a collection system under this subdivision, the contract must provide for payment to the local government unit of all the unit's incremental costs of collecting and managing spent lamps.

(g) All the costs incurred by a public utility, cooperative electric association, or municipal utility for promotion and collection of fluorescent and high-intensity discharge lamps under this subdivision are conservation improvement spending under this section.

Subd. 6. Renewable energy research. (a) A public utility that owns a nuclear generation facility in the state shall spend five percent of the total amount that utility is required to spend under this section to support basic and applied research and demonstration activities at the University of Minnesota Initiative for Renewable Energy and the Environment for the development of renewable energy sources and technologies. The utility shall transfer the required amount to the University of Minnesota on or before July 1 of each year and that annual amount shall be deducted from the amount of money the utility is required to spend under this section. The University of Minnesota shall transfer at least ten percent of these funds to at least one rural campus or experiment station.

(b) Research funded under this subdivision shall include:

(1) development of environmentally sound production, distribution, and use of energy, chemicals, and materials from renewable sources;

(2) processing and utilization of agricultural and forestry plant products and other bio-based, renewable sources as a substitute for fossil-fuel-based energy, chemicals, and materials using a variety of means including biocatalysis, biorefining, and fermentation;

(3) conversion of state wind resources to hydrogen for energy storage and transportation to areas of energy demand;

(4) improvements in scalable hydrogen fuel cell technologies; and

(5) production of hydrogen from bio-based, renewable sources; and sequestration of carbon.

(c) Notwithstanding other law to the contrary, the utility may, but is not required to, spend more than two percent of its gross operating revenues from service provided in this state under this section or section 216B.2411.

(d) This subdivision expires June 30, 2008.

Subd. 7. Low-income programs. (a) The commissioner shall ensure that each utility and association provides low-income programs. When approving spending and energy savings goals for low-income programs, the commissioner shall consider historic spending and participation levels, energy savings for low-income programs, and the number of low-income persons residing in the utility's service territory. A utility that furnishes gas service must spend at least 0.2 percent of its gross operating revenue from residential customers in the state on low-income programs. A utility or association that furnishes electric service must spend at least 0.1 percent of its gross operating revenue from residential customers in the state on low-income programs. For a generation and transmission cooperative association, this requirement shall apply to each association's members' aggregate gross operating revenue from sale of electricity to residential customers in the state. Beginning in 2010, a utility or association that furnishes electric service must spend 0.2 percent of its gross operating revenue from residential customers in the state on low-income programs.

(b) To meet the requirements of paragraph (a), a utility or association may contribute money to the energy and conservation account. An energy conservation improvement plan must state the amount, if any, of low-income energy conservation improvement money the utility or association will contribute to the energy and conservation account. Contributions must be remitted to the commissioner by February 1 of each year.

(c) The commissioner shall establish low-income programs to utilize money contributed to the energy and conservation account under paragraph (b). In establishing low-income programs, the commissioner shall consult political subdivisions, utilities, and nonprofit and community organizations, especially organizations engaged in providing energy and weatherization assistance to low-income persons. Money contributed to the energy and conservation account under paragraph (b) must provide programs for low-income persons, including low-income renters, in the service territory of the utility or association providing the money. The commissioner shall record and report expenditures and energy savings achieved as a result of low-income programs funded through the energy and conservation account in the report required under subdivision 1c, paragraph (g). The commissioner may contract with a political subdivision, nonprofit or community organization, public utility, municipality, or cooperative electric association to implement low-income programs funded through the energy and conservation account.

(d) A utility or association may petition the commissioner to modify its required spending under

paragraph (a) if the utility or association and the commissioner have been unable to expend the amount required under paragraph (a) for three consecutive years.

Subd. 8. **Assessment.** The commission or department may assess utilities subject to this section in proportion to their respective gross operating revenue from sales of gas or electric service within the state during the last calendar year to carry out the purposes of subdivisions 1d, 1e, and 1f. Those assessments are not subject to the cap on assessments provided by section 216B.62, or any other law.

Sec. 6. **[216B.2412] DECOUPLING OF ENERGY SALES FROM REVENUES.**

Subdivision 1. **Definition and purpose.** For the purpose of this section, "decoupling" means a regulatory tool designed to separate a utility's revenue from changes in energy sales. The purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency.

Subd. 2. **Decoupling criteria.** The commission shall, by order, establish criteria and standards for decoupling. The commission shall design the criteria and standards to mitigate the impact on public utilities of the energy savings goals under section 216B.241 without adversely affecting utility ratepayers. In designing the criteria, the commission shall consider energy efficiency, weather, and cost of capital, among other factors.

Subd. 3. **Pilot programs.** The commission shall allow one or more rate-regulated utilities to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings. On or before a date established by the commission, the commission shall require electric and gas utilities that intend to implement a decoupling program to file a decoupling pilot plan, which shall be approved or approved as modified by the commission. A pilot program may not exceed three years in length. Any extension beyond three years can only be approved in a general rate case, unless that decoupling program was previously approved as part of a general rate case. The commission shall report on the programs annually to the chairs of the house of representatives and senate committees with primary jurisdiction over energy policy.

Sec. 7. **EFFECTIVE DATE.**

This article is effective July 1, 2007.

ARTICLE 2

MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 123B.65, subdivision 2, is amended to read:

Subd. 2. Energy efficiency contract. (a) Notwithstanding any law to the contrary, a school district may enter into a guaranteed energy savings contract with a qualified provider to significantly reduce energy or operating costs.

(b) Before entering into a contract under this subdivision, the board shall comply with clauses (1) to (5).

(1) The board must seek proposals from multiple qualified providers by publishing notice of the proposed guaranteed energy savings contract in the board's official newspaper and in other

publications if the board determines that additional publication is necessary to notify multiple qualified providers.

(2) The school board must select the qualified provider that best meets the needs of the board. The board must provide public notice of the meeting at which it will select the qualified provider.

(3) The contract between the board and the qualified provider must describe the methods that will be used to calculate the costs of the contract and the operational and energy savings attributable to the contract.

(4) The qualified provider shall issue a report to the board giving a description of all costs of installations, modifications, or remodeling, including costs of design, engineering, installation, maintenance, repairs, or debt service, and giving detailed calculations of the amounts by which energy or operating costs will be reduced and the projected payback schedule in years.

(5) The board must provide published notice of the meeting in which it proposes to award the contract, the names of the parties to the proposed contract, and the contract's purpose.

(c) The board must provide a copy of any contract entered into under paragraph (a) and the report provided under paragraph (b), clause (4), to the commissioner of commerce within 30 days of the effective date of the contract.

Sec. 2. Minnesota Statutes 2006, section 216C.31, is amended to read:

216C.31 ENERGY AUDIT PROGRAMS.

~~The commissioner shall develop and administer state programs of energy audits of residential and commercial buildings including those required by United States Code, title 42, sections 8211 to 8222 and sections 8281 to 8284. The commissioner shall continue to administer the residential energy audit program as originally established under the provisions of United States Code, title 42, sections 8211 to 8222; through July 1, 1986 irrespective of any prior expiration date provided in United States Code, title 42, section 8216. The commissioner may approve temporary programs if they are likely to result in the installation of as many conservation measures as would have been installed had the utility met the requirements of United States Code, title 42, sections 8211 to 8222. The Consumer Services Division and the attorney general may release information on consumer comments about the operation of the program to the commissioner the training and qualifications necessary for the auditing of residential and commercial buildings under the auspices of a program created under section 216B.2412.~~

Sec. 3. Minnesota Statutes 2006, section 471.345, subdivision 13, is amended to read:

Subd. 13. **Energy efficiency projects.** The following definitions apply to this subdivision.

(a) "Energy conservation measure" means a training program or facility alteration designed to reduce energy consumption or operating costs and includes:

(1) insulation of the building structure and systems within the building;

(2) storm windows and doors, caulking or weatherstripping, multiglazed windows and doors, heat absorbing or heat reflective glazed and coated window and door systems, additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption;

- (3) automatic energy control systems;
- (4) heating, ventilating, or air conditioning system modifications or replacements;
- (5) replacement or modifications of lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility, unless an increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made;
- (6) energy recovery systems;
- (7) cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings;
- (8) energy conservation measures that provide long-term operating cost reductions.

(b) "Guaranteed energy savings contract" means a contract for the evaluation and recommendations of energy conservation measures, and for one or more energy conservation measures. The contract must provide that all payments, except obligations on termination of the contract before its expiration, are to be made over time, but not to exceed 15 years from the date of final installation, and the savings are guaranteed to the extent necessary to make payments for the systems.

(c) "Qualified provider" means a person or business experienced in the design, implementation, and installation of energy conservation measures. A qualified provider to whom the contract is awarded shall give a sufficient bond to the municipality for its faithful performance.

Notwithstanding any law to the contrary, a municipality may enter into a guaranteed energy savings contract with a qualified provider to significantly reduce energy or operating costs.

Before entering into a contract under this subdivision, the municipality shall provide published notice of the meeting in which it proposes to award the contract, the names of the parties to the proposed contract, and the contract's purpose.

Before installation of equipment, modification, or remodeling, the qualified provider shall first issue a report, summarizing estimates of all costs of installations, modifications, or remodeling, including costs of design, engineering, installation, maintenance, repairs, or debt service, and estimates of the amounts by which energy or operating costs will be reduced.

A guaranteed energy savings contract that includes a written guarantee that savings will meet or exceed the cost of energy conservation measures is not subject to competitive bidding requirements of section 471.345 or other law or city charter. The contract is not subject to section 123B.52.

A municipality may enter into a guaranteed energy savings contract with a qualified provider if, after review of the report, it finds that the amount it would spend on the energy conservation measures recommended in the report is not likely to exceed the amount to be saved in energy and operation costs over 15 years from the date of installation if the recommendations in the report were followed, and the qualified provider provides a written guarantee that the energy or operating cost savings will meet or exceed the costs of the system. The guaranteed energy savings contract may provide for payments over a period of time, not to exceed 15 years.

A municipality may enter into an installment payment contract for the purchase and installation

of energy conservation measures. The contract must provide for payments of not less than 1/15 of the price to be paid within two years from the date of the first operation, and the remaining costs to be paid monthly, not to exceed a 15-year term from the date of the first operation.

A municipality entering into a guaranteed energy savings contract shall provide a copy of the contract and the report from the qualified provider to the commissioner of commerce within 30 days of the effective date of the contract.

Guaranteed energy savings contracts may extend beyond the fiscal year in which they become effective. The municipality shall include in its annual appropriations measure for each later fiscal year any amounts payable under guaranteed energy savings contracts during the year. Failure of a municipality to make such an appropriation does not affect the validity of the guaranteed energy savings contract or the municipality's obligations under the contracts.

Sec. 4. Minnesota Statutes 2006, section 504B.161, subdivision 1, is amended to read:

Subdivision 1. **Requirements.** In every lease or license of residential premises, the landlord or licensor covenants:

(1) that the premises and all common areas are fit for the use intended by the parties;

(2) to keep the premises in reasonable repair during the term of the lease or license, except when the disrepair has been caused by the willful, malicious, or irresponsible conduct of the tenant or licensee or a person under the direction or control of the tenant or licensee; and

(3) to make the premises reasonably energy efficient by installing weatherstripping, caulking, storm windows, and storm doors when the measure will result in energy procurement cost savings, based on current and projected average residential energy costs in this state, that will exceed the cost of implementing the measure, including interest, amortized over the ten-year period following the incurring of the cost; and

(4) to maintain the premises in compliance with the applicable health and safety laws of the state, including the weatherstripping, caulking, storm window, and storm door energy efficiency standards for renter-occupied residences prescribed by section 216C.27, subdivisions 1 and 3, and of the local units of government where the premises are located during the term of the lease or license, except when violation of the health and safety laws has been caused by the willful, malicious, or irresponsible conduct of the tenant or licensee or a person under the direction or control of the tenant or licensee.

The parties to a lease or license of residential premises may not waive or modify the covenants imposed by this section.

Sec. 5. **REPEALER.**

Minnesota Statutes 2006, sections 216B.165; 216C.27; and 216C.30, subdivision 5, and Minnesota Rules, parts 7635.0100; 7635.0110; 7635.0120; 7635.0130; 7635.0140; 7635.0150; 7635.0160; 7635.0170; 7635.0180; 7635.0200; 7635.0210; 7635.0220; 7635.0230; 7635.0240; 7635.0250; 7635.0260; 7635.0300; 7635.0310; 7635.0320; 7635.0330; 7635.0340; 7635.0400; 7635.0410; 7635.0420; 7635.0500; 7635.0510; 7635.0520; 7635.0530; 7635.0600; 7635.0610; 7635.0620; 7635.0630; 7635.0640; 7635.1000; 7635.1010; 7635.1020; 7635.1030; 7655.0100; 7655.0120; 7655.0200; 7655.0210; 7655.0220; 7655.0230; 7655.0240; 7655.0250; 7655.0260;

7655.0270; 7655.0280; 7655.0290; 7655.0300; 7655.0310; 7655.0320; 7655.0330; 7655.0400; 7655.0410; and 7655.0420, are repealed, effective July 1, 2007.

Sec. 6. **EFFECTIVE DATE.**

This article is effective July 1, 2007."

Amend the title accordingly

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

SECOND READING OF SENATE BILLS

S.F. Nos. 1024 and 997 were read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

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

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bill was read the first time.

Senator Cohen, for the Committee on Finance, introduced—

S.F. No. 2190: A bill for an act relating to the financing of state government; making onetime appropriations for health and human services, environment and natural resources, energy, clean water legacy, veterans, economic development, public safety, transportation, and state government; modifying certain statutory provisions and laws; providing for certain programs; fixing and limiting fees; authorizing rulemaking; requiring reports; providing for penalties; appropriating money; amending Minnesota Statutes 2006, sections 203B.02, subdivision 1; 203B.04, subdivisions 1, 6; 203B.06, subdivision 3; 203B.07, subdivision 2; 203B.11, subdivision 4; 256B.434, subdivision 4; 256J.77; 256K.45, by adding a subdivision; 462A.21, subdivision 8b; proposing coding for new law in Minnesota Statutes, chapters 116O; 144; 256D; repealing Minnesota Statutes 2006, section 203B.04, subdivision 5.

Under the Rules of the Senate, laid over one day.

MEMBERS EXCUSED

Senators Larson and Sieben were excused from the Session of today. Senator Koering was excused from the Session of today from 2:30 to 2:40 p.m. Senator Marty was excused from the

40TH DAY]

THURSDAY, MARCH 29, 2007

1805

Session of today from 3:35 to 4:15 p.m.

ADJOURNMENT

Senator Pogemiller moved that the Senate do now adjourn until 12:00 noon, Friday, March 30, 2007. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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