

STATE OF MINNESOTA

# Journal of the Senate

EIGHTY-FIFTH LEGISLATURE

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SEVENTY-FIFTH DAY

St. Paul, Minnesota, Monday, May 21, 2007

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

## CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Kevin McDonough.

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

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

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

The President declared a quorum present.

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

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

May 18, 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. 1215, 1675, 1495, 1019 and 1070.

Sincerely,  
Tim Pawlenty, Governor

May 18, 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
1215		85	5:18 p.m. May 18	May 18
1675		86	5:19 p.m. May 18	May 18
1495		87	5:20 p.m. May 18	May 18
1019		88	5:21 p.m. May 18	May 18

Sincerely,  
Mark Ritchie  
Secretary of State

May 21, 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 Act of the 2007 Session of the State Legislature has been received from the Office of the Governor and is deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

75TH DAY]

MONDAY, MAY 21, 2007

5973

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 2007	Date Filed 2007
1070		89	9:10 p.m. May 18	May 19

Sincerely,  
Mark Ritchie  
Secretary of State

### 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. 145, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 145:** A bill for an act relating to energy; providing for community-based energy development; requiring a plan to reduce greenhouse gas emissions; amending Minnesota Statutes 2006, sections 216B.1612, subdivisions 1, 2, 3, 5, by adding a subdivision; 216B.1691, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 216F.

Senate File No. 145 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2007

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2285:

**H.F. No. 2285:** A bill for an act relating to constitutional amendments; proposing an amendment to the Minnesota Constitution, article XI; increasing the sales tax rate by three-eighths of one percent and dedicating the receipts for natural resource and cultural heritage purposes; creating a natural heritage fund; creating a parks and trails fund; creating a clean water fund; creating a sustainable drinking water fund; creating an arts and cultural heritage fund; amending Minnesota Statutes 2006, sections 114D.20, subdivision 6; 114D.30, subdivision 6; 114D.45; 297A.62, subdivision 1; 297A.94; 297B.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 85; 97A; 103H; 129D.

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

Sertich, Wagenius, Hansen, Moe and Ozment have been appointed as such committee on the part of the House.

House File No. 2285 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 20, 2007

Senator Pogemiller moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2285, and that a Conference Committee of 5 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

### RECESS

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

### APPOINTMENTS

Senator Pogemiller from the Subcommittee on Conference Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 2285: Senators Pogemiller, Frederickson, Cohen, Anderson and Chaudhary.

Senator Pogemiller moved that the foregoing appointments be approved. The motion prevailed.

### MOTIONS AND RESOLUTIONS

Remaining on the Order of Business of Motions and Resolutions, Senator Pogemiller moved that the Senate take up the Calendar. The motion prevailed.

### CALENDAR

**H.F. No. 2293:** A bill for an act relating to claims against the state; providing for settlement of various claims; appropriating money.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Berglin	Cohen	Fischbach	Higgins	Langseth
Betzold	Day	Foley	Ingebrigtsen	Larson
Bonoff	Dibble	Frederickson	Jungbauer	Latz
Carlson	Dille	Gerlach	Koch	Limmer
Chaudhary	Doll	Gimse	Koering	Lourey
Clark	Erickson Ropes	Hann	Kubly	Lynch

Marty	Olson, G.	Prettner Solon	Saxhaug	Sparks
Metzen	Olson, M.	Rest	Senjem	Tomassoni
Michel	Ortman	Robling	Sheran	Torres Ray
Murphy	Pappas	Rosen	Sieben	Vickerman
Neuville	Pariseau	Rummel	Skoe	Wergin
Olseen	Pogemiller	Saltzman	Skogen	Wiger

So the bill passed and its title was agreed to.

**H.F. No. 1175:** A bill for an act relating to state finance; modifying certain statutory provisions relating to aircraft facilities; modifying aircraft facilities state financing to allow flexibility in obtaining a new lessee for the facility; amending Minnesota Statutes 2006, sections 116R.01, subdivision 6; 116R.02, subdivisions 1, 2, 4, 5; 116R.03; 116R.05, subdivision 2; 116R.11, subdivision 1; 116R.12, by adding a subdivision; 272.01, subdivision 2; 290.06, subdivision 24; 297A.71, subdivision 10; 360.013, subdivision 39; 360.032, subdivision 1; 360.038, subdivision 4; repealing Minnesota Statutes 2006, sections 116R.02, subdivisions 3, 6, 7, 9; 116R.16.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 59 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### RECESS

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

### CALL OF THE SENATE

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 26, Senator Pogemiller, Chair of the Committee on Rules and Administration, designated H.F. No. 562 a Special Order to be heard immediately.

**SPECIAL ORDER**

**H.F. No. 562:** A bill for an act relating to towns; appropriating money for town road signs.

Senator Murphy moved to amend H.F. No. 562, the unofficial engrossment, as follows:

Page 1, line 27, delete "1,135,044,000" and insert "1,136,809,000" and delete "1,152,556,000" and insert "1,155,457,000" and delete "2,287,600,000" and insert "2,292,266,000"

Page 1, line 28, delete "1,888,510,000" and insert "1,890,275,000" and delete "1,904,622,000" and insert "1,907,523,000" and delete "3,793,132,000" and insert "3,797,798,000"

Page 11, line 29, delete "141,764,000" and insert "143,529,000" and delete "144,919,000" and insert "147,820,000"

Page 11, line 33, delete "77,142,000" and insert "78,907,000" and delete "78,714,000" and insert "81,615,000"

Page 14, line 17, delete "63,793,000" and insert "65,437,000" and delete "65,072,000" and insert "67,740,000"

Page 14, line 21, delete "6,824,000" and insert "6,945,000" and delete "6,963,000" and insert "7,196,000"

Page 18, after line 5, insert:

"Sec. 10. **NORTHSTAR COMMUTER RAIL.**

The commissioner of transportation may encumber money in an account in the special revenue fund, up to the amount of federal funding obligated in a multiyear full funding grant agreement with the Federal Transit Administration for the Northstar Commuter Rail project."

Page 29, after line 10, insert:

**"ARTICLE 5****REPEALER**

This act is repealed if H.F. No. 946 is enacted in 2007, notwithstanding the objections of the governor."

The motion prevailed. So the amendment was adopted.

Senator Jungbauer moved to amend H.F. No. 562, the unofficial engrossment, as follows:

Delete everything after the enacting clause and insert:

**"ARTICLE 1****TRANSPORTATION APPROPRIATIONS****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>
<u>General</u>	\$ <u>108,347,000</u> \$	<u>106,055,000</u> \$	<u>214,402,000</u>
<u>Airports</u>	<u>25,557,000</u>	<u>25,659,000</u>	<u>51,216,000</u>
<u>C.S.A.H.</u>	<u>447,041,000</u>	<u>496,730,000</u>	<u>943,771,000</u>
<u>M.S.A.S.</u>	<u>120,557,000</u>	<u>133,726,000</u>	<u>254,283,000</u>
<u>Special Revenue</u>	<u>47,950,000</u>	<u>49,038,000</u>	<u>96,988,000</u>
<u>Highway User</u>	<u>8,938,000</u>	<u>9,238,000</u>	<u>18,176,000</u>
<u>Trunk Highway</u>	<u>1,162,965,000</u>	<u>1,226,461,000</u>	<u>2,389,426,000</u>
<b><u>Total</u></b>	<b>\$ <u>1,921,355,000</u> \$</b>	<b><u>2,046,907,000</u> \$</b>	<b><u>3,968,262,000</u></b>

Sec. 2. **TRANSPORTATION APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2008" and "2009" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2008, or June 30, 2009, respectively. "The first year" is fiscal year 2008. "The second year" is fiscal year 2009. "The biennium" is fiscal years 2008 and 2009. Appropriations for the fiscal year ending June 30, 2007, are effective the day following final enactment.

**APPROPRIATIONS**  
**Available for the Year**  
**Ending June 30**  
2008                      2009

Sec. 3. **TRANSPORTATION**

Subdivision 1. **Total Appropriation**                      \$    1,699,863,000 \$    1,822,260,000

The appropriations in this section are from the trunk highway fund, except when another fund is named.

	<u>Appropriations by Fund</u>	
	<u>2008</u>	<u>2009</u>
<u>General</u>	<u>21,735,000</u>	<u>19,248,000</u>
<u>Airports</u>	<u>25,507,000</u>	<u>25,609,000</u>
<u>C.S.A.H.</u>	<u>447,041,000</u>	<u>496,730,000</u>
<u>M.S.A.S.</u>	<u>120,557,000</u>	<u>133,726,000</u>
<u>Trunk Highway</u>	<u>1,085,023,000</u>	<u>1,146,947,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Multimodal Systems**

**(a) Aeronautics**

**(1) Airport Development and Assistance**

20,298,000

20,298,000

This appropriation is from the state airports fund and must be spent according to Minnesota Statutes, section 360.305, subdivision 4.

\$6,000,000 the first year and \$6,000,000 the second year are onetime appropriations and do not add to the base appropriations.

Of this appropriation \$200,000 the first year is to the Legislative Coordinating Commission for the administrative expenses of the Airport Funding Advisory Task Force and for other costs relating to the preparation of the task force report, including the costs of hiring a consultant, if needed. Any remaining amount of this appropriation shall revert to the state airports fund.

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, this appropriation is available for five years after appropriation.

If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

**(2) Aviation Support and Services**

	<u>Appropriations by Fund</u>	
<u>Airports</u>	<u>5,184,000</u>	<u>5,286,000</u>
<u>Trunk Highway</u>	<u>852,000</u>	<u>866,000</u>

\$65,000 the first year and \$65,000 the second year from the state airports fund are for the Civil Air Patrol.

**(b) Transit**

Appropriations by Fund

<u>General</u>	<u>18,813,000</u>	<u>18,816,000</u>
<u>Trunk Highway</u>	<u>740,000</u>	<u>761,000</u>

**(c) Freight**Appropriations by Fund

<u>General</u>	<u>357,000</u>	<u>367,000</u>
<u>Trunk Highway</u>	<u>5,028,000</u>	<u>5,158,000</u>

**Subd. 3. State Roads****(a) Infrastructure Investment and Planning**

<b><u>(1) Infrastructure Investment Support</u></b>	<u>176,613,000</u>	<u>187,264,000</u>
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\$266,000 the first year and \$266,000 the second year are available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

\$75,000 the first year and \$75,000 the second year are for a transportation research contingent account to finance research projects that are reimbursable from the federal government or from other sources. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

\$600,000 the first year and \$600,000 the second year are available for grants for transportation studies outside the metropolitan area to identify critical concerns, problems, and issues. These grants are available (1) to regional development commissions and (2) in regions where no regional development commission is functioning, to joint powers boards established under agreement of two or more political subdivisions in the region to exercise the planning functions of a regional development commission, and (3) in regions where no regional development commission or joint powers board is functioning, to the department's district office for that region.

Up to \$1,000,000 the first year is for technical support of trunk highway congestion reduction under the United States Department of Transportation Urban Partnership program. Of this amount, \$200,000 is for a grant to the Hubert H. Humphrey Institute of Public Affairs for its participation in this program.

\$5,000,000 is for a pilot project to demonstrate technologies that will allow for the future replacement of the gas tax with a fuel-neutral mileage charge.

**(2) State Road Construction**

567,197,000

588,683,000

It is estimated that these appropriations will be funded as follows:

<u>Appropriations by Fund</u>		
<u>Federal Highway Aid</u>	<u>193,463,000</u>	<u>350,442,000</u>
<u>Highway User Taxes</u>	<u>373,734,000</u>	<u>238,241,000</u>

The commissioner of transportation shall notify the chair of the Transportation Budget Division of the senate and the chair of the Transportation Finance Division of the house of representatives of any significant events that should cause these estimates to change.

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways, including design-build contracts and consultant usage to support these activities. This includes the cost of actual payment to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

The commissioner may transfer up to \$15,000,000 each year to the transportation revolving loan fund.

The commissioner may receive money covering other shares of the cost of partnership projects. These receipts are appropriated to the commissioner for these projects.

**(3) Highway Debt Service**58,088,00074,810,000

\$54,299,000 the first year and \$64,787,000 the second year are for transfer to the state bond fund. If this appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of finance shall notify the Committee on Finance of the senate and the Committee on Ways and Means of the house of representatives of the amount of the deficiency and shall then transfer that amount under the statutory open appropriation. Any excess appropriation cancels to the trunk highway fund.

**(b) Infrastructure Operations and Maintenance**215,475,000227,389,000**(c) Electronic Communications**Appropriations by Fund

<u>General</u>	<u>9,000</u>	<u>9,000</u>
<u>Trunk Highway</u>	<u>4,902,000</u>	<u>5,029,000</u>

The general fund appropriation is to equip and operate the Roosevelt signal tower for Lake of the Woods weather broadcasting.

**Subd. 4. Local Roads****(a) County State Aids**447,041,000496,730,000

This appropriation is from the county state-aid highway fund and is available until spent.

**(b) Municipal State Aids**120,557,000133,726,000

This appropriation is from the municipal state-aid street fund and is available until spent.

If an appropriation for either county state aids or municipal state aids does not exhaust the balance in the fund from which it is made in the year for which it is made, the commissioner of finance, upon request of the commissioner of transportation, shall

notify the chair of the Transportation Finance Division of the house of representatives and the chair of the Transportation Budget Division of the senate of the amount of the remainder and shall then add that amount to the appropriation. The amount added is appropriated for the purposes of county state aids or municipal state aids, as appropriate.

If the appropriation for either county state aids or municipal state aids does exhaust the balance in the fund from which it is made in the year for which it is made, the commissioner of finance shall notify the chair of the Transportation Finance Division of the house of representatives and the chair of the Transportation Budget Division of the senate of the amount by which the appropriation exceeds the balance and shall then reduce that amount from the appropriation.

**Subd. 5. General Support and Services**

**(a) Department Support**

	<u>Appropriations by Fund</u>	
<u>Airports</u>	<u>25,000</u>	<u>25,000</u>
<u>Trunk Highway</u>	<u>39,531,000</u>	<u>40,327,000</u>

**(b) Buildings**

	<u>Appropriations by Fund</u>	
<u>General</u>	<u>56,000</u>	<u>56,000</u>
<u>Trunk Highway</u>	<u>16,597,000</u>	<u>16,660,000</u>

If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

**Subd. 6. Town Road Sign Replacement Program** 2,500,000 0

This appropriation is from the general fund to the commissioner of transportation to implement the town road sign replacement program established in Laws 2005, First Special Session chapter 6, article 3, section

89. For the purpose of this appropriation, implementation includes the purchase and installation of new signs. This appropriation may be used to satisfy any local matching requirement for the receipt of federal funds. Designated funds not allocated by July 1, 2009, cancel and revert to the general fund.

**Subd. 7. Transfers**

(a) With the approval of the commissioner of finance, the commissioner of transportation may transfer unencumbered balances among the appropriations from the trunk highway fund and the state airports fund made in this section. No transfer may be made from the appropriation for state road construction. No transfer may be made from the appropriations for debt service to any other appropriation. Transfers under this paragraph may not be made between funds. Transfers between programs must be reported immediately to the chair of the Transportation Budget Division of the senate and the chair of the Transportation Finance Division of the house of representatives.

(b) The commissioner of finance shall transfer from the flexible account in the county state-aid highway fund \$5,950,000 the first year and \$2,820,000 the second year to the municipal turnback account in the municipal state-aid street fund and \$12,940,000 the first year and \$15,330,000 the second year to the trunk highway fund; and the remainder in each year to the county turnback account in the county state-aid highway fund.

(c) On or after July 1, 2007, the commissioner of finance shall transfer \$4,600,000 from the trunk highway revolving loan account in the transportation revolving loan fund to the trunk highway fund.

**Subd. 8. Use of State Road Construction Appropriations**

Any money appropriated to the commissioner

of transportation for state road construction for any fiscal year before fiscal year 2008 is available to the commissioner during fiscal years 2008 and 2009 to the extent that the commissioner spends the money on the state road construction project for which the money was originally encumbered during the fiscal year for which it was appropriated. The commissioner of transportation shall report to the commissioner of finance by August 1, 2007, and August 1, 2008, on a form the commissioner of finance provides, on expenditures made during the previous fiscal year that are authorized by this subdivision.

**Subd. 9. Contingent Appropriation**

The commissioner of transportation, with the approval of the governor and the written approval of at least five members of a group consisting of: (1) the members of the Legislative Advisory Commission under Minnesota Statutes, section 3.30; and (2) the ranking minority members of the house of representatives and senate committees with jurisdiction over transportation finance, may transfer all or part of the unappropriated balance in the trunk highway fund to an appropriation (1) for trunk highway design, construction, or inspection in order to take advantage of an unanticipated receipt of income to the trunk highway fund or to take advantage of federal advanced construction funding, (2) for trunk highway maintenance in order to meet an emergency, or (3) to pay tort or environmental claims. Nothing in this subdivision authorizes the commissioner to increase the use of federal advanced construction funding beyond amounts specifically authorized. Any transfer as a result of the use of federal advanced construction funding must include an analysis of the effects on the long-term trunk highway fund balance. The amount transferred is appropriated for the purpose of the account to which it is transferred.

Sec. 4. METROPOLITAN COUNCIL

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>78,753,000</u>	<u>\$</u>	<u>78,753,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Bus Transit</u>		<u>73,453,000</u>		<u>73,453,000</u>
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This appropriation is for bus system operations.

<u>Subd. 3. Rail Operations</u>		<u>5,300,000</u>		<u>5,300,000</u>
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This appropriation is for operations of the Hiawatha light rail transit line.

This appropriation is for paying 50 percent of operating costs for the Hiawatha light rail transit line after operating revenue and federal funds are used for light rail transit operations. The remaining operating costs up to a maximum of \$5,300,000 the first year and \$5,300,000 the second year are to be paid by the Hennepin County Regional Rail Authority, using any or all of these sources:

(1) general tax revenues of Hennepin County;

(2) the authority's reserves; and

(3) taxes levied under Minnesota Statutes, section 398A.04, subdivision 8, notwithstanding any provision in that subdivision that limits amounts that may be levied for light rail transit purposes.

Sec. 5. PUBLIC SAFETY

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>141,764,000</u>	<u>\$</u>	<u>144,919,000</u>
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	<u>Appropriations by Fund</u>	
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	<u>2008</u>	<u>2009</u>
<u>General</u>	<u>7,859,000</u>	<u>8,054,000</u>
<u>Trunk Highway</u>	<u>77,142,000</u>	<u>78,714,000</u>
<u>Highway User</u>	<u>8,813,000</u>	<u>9,113,000</u>

<u>Special Revenue</u>	<u>47,950,000</u>	<u>49,038,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Administration and Related Services**

**(a) Office of Communications**

	<u>Appropriations by Fund</u>	
<u>General</u>	<u>40,000</u>	<u>41,000</u>
<u>Trunk Highway</u>	<u>372,000</u>	<u>393,000</u>

**(b) Public Safety Support**

	<u>Appropriations by Fund</u>	
<u>General</u>	<u>3,247,000</u>	<u>3,341,000</u>
<u>Trunk Highway</u>	<u>3,373,000</u>	<u>3,506,000</u>
<u>Highway User</u>	<u>1,366,000</u>	<u>1,366,000</u>

Of the amounts from the general fund, \$110,000 the first year and \$28,000 the second year are onetime appropriations for a security coordinator to coordinate planning efforts for the Republican National Convention, and do not add to the base appropriations.

\$380,000 the first year and \$380,000 the second year are for payment of public safety officer survivor benefits under Minnesota Statutes, section 299A.44. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

\$1,199,000 the first year and \$1,367,000 the second year are to be deposited in the public safety officer's benefit account. This money is available for reimbursements under Minnesota Statutes, section 299A.465.

\$508,000 the first year and \$508,000 the second year are for soft body armor reimbursements under Minnesota Statutes,

section 299A.38.

\$792,000 the first year and \$792,000 the second year are appropriated from the general fund for transfer by the commissioner of finance to the trunk highway fund on December 31, 2007, and December 31, 2008, respectively, in order to reimburse the trunk highway fund for expenses not related to the fund. These represent amounts appropriated out of the trunk highway fund for general fund purposes in the administration and related services program.

\$610,000 the first year and \$610,000 the second year are appropriated from the highway user tax distribution fund for transfer by the commissioner of finance to the trunk highway fund on December 31, 2007, and December 31, 2008, respectively, in order to reimburse the trunk highway fund for expenses not related to the fund. These represent amounts appropriated out of the trunk highway fund for highway user tax distribution fund purposes in the administration and related services program.

\$716,000 the first year and \$716,000 the second year are appropriated from the highway user tax distribution fund for transfer by the commissioner of finance to the general fund on December 31, 2007, and December 31, 2008, respectively, in order to reimburse the general fund for expenses not related to the fund. These represent amounts appropriated out of the general fund for operation of the criminal justice data network related to driver and motor vehicle licensing.

**(c) Technical Support Services**

	<u>Appropriations by Fund</u>	
<u>General</u>	<u>1,507,000</u>	<u>1,507,000</u>
<u>Trunk Highway</u>	<u>2,344,000</u>	<u>2,344,000</u>
<u>Highway User</u>	<u>19,000</u>	<u>19,000</u>

Of the amounts from the general fund,

\$1,416,000 the first year and \$1,416,000 the second year are for information systems security and disaster recovery.

**Subd. 3. State Patrol**

**(a) Patrolling Highways**

	<u>Appropriations by Fund</u>	
<u>General</u>	<u>37,000</u>	<u>37,000</u>
<u>Trunk Highway</u>	<u>63,793,000</u>	<u>65,072,000</u>
<u>Highway User</u>	<u>92,000</u>	<u>92,000</u>

\$1,137,000 the first year and \$1,137,000 the second year are for fuel costs.

**(b) Commercial Vehicle Enforcement** 6,824,000      6,963,000

This appropriation is from the trunk highway fund.

\$198,000 the first year and \$198,000 the second year are for fuel costs.

**(c) Capitol Security** 3,028,000      3,128,000

The commissioner may not (1) spend any money from the trunk highway fund for capitol security or (2) permanently transfer any state trooper from the patrolling highways activity to capitol security.

The commissioner may not transfer any money (1) appropriated for Department of Public Safety administration, the patrolling of highways, commercial vehicle enforcement, or driver and vehicle services to capitol security or (2) from capitol security.

**Subd. 4. Driver and Vehicle Services**

**(a) Vehicle Services**

	<u>Appropriations by Fund</u>	
<u>Highway User</u>	<u>7,336,000</u>	<u>7,636,000</u>
<u>Special Revenue</u>	<u>18,696,000</u>	<u>18,973,000</u>

The base appropriation from the highway user tax distribution fund is \$7,936,000 for fiscal year 2010 and \$8,236,000 for fiscal year 2011.

The special revenue fund appropriation is from the vehicle services operating account.

Of the amounts from the special revenue fund, \$47,000 the first year and \$45,000 the second year are for a driver license and motor vehicle records contract coordinator.

**(b) Driver Services**

	<u>Appropriations by Fund</u>	
<u>Special Revenue</u>	<u>27,939,000</u>	<u>28,711,000</u>
<u>Trunk Highway</u>	<u>1,000</u>	<u>1,000</u>

The special revenue fund appropriation is from the driver services operating account.

Of the amounts from the special revenue fund, \$25,000 the first year and \$23,000 the second year are for a driver license and motor vehicle records contract coordinator.

**Subd. 5. Traffic Safety** 435,000 435,000

This appropriation is from the trunk highway fund.

\$111,000 the first year and \$111,000 the second year are for planning and administration of grants from the National Highway Traffic Safety Administration.

The commissioner of public safety shall spend 50 percent of the money available to the state under Public Law 105-206, section 164, and the remaining 50 percent must be transferred to the commissioner of transportation for hazard elimination activities under United States Code, title 23, section 152.

**Subd. 6. Pipeline Safety** 1,315,000 1,354,000

This appropriation is from the pipeline safety account in the special revenue fund.



This appropriation is from the vehicle services operating account in the special revenue fund.

This appropriation is available until June 30, 2009.

Of any amount carried forward from fiscal year 2007, up to \$1,750,000 is for planning for the replacement of the driver and vehicle services automated support systems. Any remaining amount carried forward from fiscal year 2007 is to implement remediation strategies as necessary to avoid a systematic failure.

(b) Driver Services	28,006,000	26,965,000
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This appropriation is from the driver services operating account in the special revenue fund.

**Sec. 9. FEDERAL FUNDS SPENDING AUTHORITY.**

The commissioner of transportation may spend up to \$5,000,000 from July 1, 2008, through June 30, 2013, in federal transit funds for capital assistance to public transit systems under Minnesota Statutes, section 174.24. This amount is in addition to any appropriations made by law for this purpose.

**ARTICLE 2**

**FUEL TAX**

Section 1. Minnesota Statutes 2006, section 296A.07, subdivision 3, is amended to read:

Subd. 3. **Rate of tax.** The gasoline excise tax is imposed at the following rates:

- (1) E85 is taxed at the rate of ~~14.2~~ 15.6 cents per gallon and 17.8 cents after June 30, 2008;
- (2) M85 is taxed at the rate of ~~11.4~~ 12.5 cents per gallon and 14.3 cents after June 30, 2008; and
- (3) all other gasoline is taxed at the rate of ~~20~~ 22 cents per gallon and 25 cents after June 30, 2008.

Sec. 2. Minnesota Statutes 2006, section 296A.08, subdivision 2, is amended to read:

Subd. 2. **Rate of tax.** The special fuel excise tax is imposed at the following rates:

(a) Liquefied petroleum gas or propane is taxed at the rate of ~~15~~ 16.5 cents per gallon and 18.8 cents after June 30, 2008.

(b) Liquefied natural gas is taxed at the rate of ~~12~~ 13.2 cents per gallon and 15 cents after June 30, 2008.

(c) Compressed natural gas is taxed at the rate of ~~\$1.739~~ \$1.913 per thousand cubic feet and 2.174 cents after June 30, 2008; or ~~20~~ 22 cents per gasoline equivalent and 25 cents after June 30, 2008, as defined by the National Conference on Weights and Measures, which is 5.66 pounds of natural gas.

(d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified in section 296A.07, subdivision 2. The tax is payable in the form and manner prescribed by the commissioner.

**Sec. 3. EFFECTIVE DATE.**

This article is effective July 1, 2007, and applies to all gasoline, undyed diesel fuel, and special fuel in distributor storage on July 1, 2007.

**ARTICLE 3**

**LOCAL SALES TAX**

**Section 1. [297A.992] LOCAL TRANSPORTATION SALES AND EXCISE TAX.**

Subdivision 1. **Definition.** For purposes of this section "metropolitan transportation area" means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Subd. 2. **Election.** The secretary of state, in cooperation with the county auditors of the metropolitan transportation area, shall conduct a special election in the metropolitan transportation area at the time of the general election the Tuesday after the first Monday in November 2008. The following question shall appear on the ballot:

"Shall an additional tax of one-half of one percent be temporarily imposed on sales in the metropolitan area to pay for transportation and transit improvements in the metropolitan area?"

Subd. 3. **Metropolitan transportation area sales tax.** (a) Notwithstanding sections 297A.99, subdivisions 1, 2, 3, 5, and 13; 477A.016; or any other law, the joint powers board described in this subdivision may levy a metropolitan transportation area sales tax of up to one-half of one percent on retail sales and uses taxable under chapter 297A occurring within the metropolitan transportation area, if approved by a majority of the voters in the metropolitan transportation area who vote on the question to impose the tax at a special election held in the metropolitan transportation area at the time of the general election described in subdivision 2.

(b) A metropolitan transportation area fund is created in the state treasury. After the deductions allowed in section 297A.99, subdivision 11, the commissioner of revenue shall deposit all revenue from taxes imposed under this section in the fund. Money in the fund is appropriated to the commissioner of finance. The commissioner of finance shall allocate money in the fund as directed by resolution of the joint powers board under paragraph (d).

(c) Before imposing the tax under paragraph (a), counties and cities in the metropolitan transportation area shall enter into a joint powers agreement to create the joint powers board to exercise the powers provided in this section. The joint powers board must consist of one representative of each county in the metropolitan transportation area appointed by each county board.

(d) By May 1 of each year, the joint powers board shall, by resolution, direct the commissioner of finance to allocate revenue in the metropolitan transportation area account for the next fiscal year.

The resolution must direct the commissioner to allocate funds as follows:

(1) 50 percent to be allocated among:

(i) the commissioner of transportation for implementation of the commissioner's greater Minnesota transit plan in counties in the metropolitan transportation area that are directly served by greater Minnesota transit;

(ii) the Metropolitan Council for implementation of the public transit components of the council's 2030 transportation policy plan, and for other public transit operations and capital improvements provided or assisted by the council in counties in the metropolitan transportation area; and

(iii) counties in the metropolitan transportation area for operation of and capital assistance to public transit systems that the county, or one or more cities in the county, owns, operates, or contracts for; and

(2) 50 percent to be allocated among:

(i) the commissioner of transportation for metropolitan transportation area highway projects included in the commissioner's current ten-year highway work plan; and

(ii) counties in the metropolitan transportation area for construction, maintenance, and improvement of local roads.

Subd. 4. **Tax in counties outside metropolitan transportation area.** Notwithstanding sections 297A.99, subdivisions 1, 2, 3, 5, and 13; 477A.016; or any other law, the board of a county outside the metropolitan transportation area, or more than one county acting under a joint powers agreement, may impose, either or both, a transportation sales tax at a rate of one-half of one percent on retail sales and uses taxable under this chapter and a motor vehicle excise tax on the sale of new motor vehicles at the rate of \$20 per vehicle, occurring within the jurisdiction of the taxing authority subject to approval by the voters of the county or counties at a general election. The proceeds of the tax must be dedicated exclusively to payment of the cost of a specific transportation project, which is designated at least 90 days before the referendum on imposition of the tax is conducted. The tax must terminate after the improvement has been completed.

Subd. 5. **Administration, collection, enforcement.** The administration, collection, and enforcement provisions in section 297A.99, subdivisions 4 and 6 to 12, apply to all taxes imposed under this section.

#### ARTICLE 4

### MOTOR VEHICLE SALES TAX, MOTOR VEHICLE LEASE SALES TAX

Section 1. Minnesota Statutes 2006, section 16A.88, is amended to read:

#### **16A.88 TRANSIT FUNDS ASSISTANCE FUND.**

Subdivision 1. **Transit assistance fund established.** A transit assistance fund is established within the state treasury. The fund receives money distributed under sections 297A.815, subdivision 3, and 297B.09, subdivision 1, and other money as specified by law. Money in the fund must be allocated to the greater Minnesota transit account under subdivision 1a and the metropolitan area transit account under subdivision 2 in the manner specified in sections 297A.815, subdivision 3, and

297B.09, subdivision 1, and must be used for transit purposes.

Subd. 1a. **Greater Minnesota transit fund account.** The greater Minnesota transit fund account is established within the transit assistance fund in the state treasury. Money in the fund account is annually appropriated to the commissioner of transportation for assistance to transit systems outside the metropolitan area under section 174.24. ~~Beginning in fiscal year 2003,~~ The commissioner may use up to ~~\$400,000 each year~~ \$408,000 in fiscal year 2008 and \$416,000 in fiscal year 2009 and thereafter for administration of the transit program. The commissioner shall use the fund account for transit operations as provided in section 174.24 and related program administration.

Subd. 2. **Metropolitan area transit fund account.** The metropolitan area transit fund account is established within the transit assistance fund in the state treasury. All money in the fund account is annually appropriated to the Metropolitan Council for the funding of transit systems within the metropolitan area under sections 473.384, 473.386, 473.387, 473.388, and 473.405 to 473.449.

~~Subd. 3. **Metropolitan area transit appropriation account.** The metropolitan area transit appropriation account is established within the general fund. Money in the account is to be used for the funding of transit systems in the metropolitan area, subject to legislative appropriation.~~

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

Sec. 2. Minnesota Statutes 2006, section 297A.815, is amended by adding a subdivision to read:

Subd. 3. **Deposit of revenues.** Notwithstanding any law to the contrary, money collected and received under this section must be deposited as follows:

(1) From July 1, 2007, through June 30, 2008, 63.75 percent must be deposited in the transit assistance fund and allocated 57.37 percent to the metropolitan area transit account, and 6.38 percent to the greater Minnesota transit account. The remaining money must be deposited in the general fund.

(2) From July 1, 2008, through June 30, 2009, 73.75 percent must be deposited in the transit assistance fund and allocated 66.37 percent to the metropolitan area transit account, and 7.38 percent to the greater Minnesota transit account. The remaining money must be deposited in the general fund.

(3) From July 1, 2009, through June 30, 2010, 83.75 percent must be deposited in the transit assistance fund and allocated 75.37 percent to the metropolitan area transit account, and 8.38 percent to the greater Minnesota transit account. The remaining money must be deposited in the general fund.

(4) From July 1, 2010, through June 30, 2011, 93.75 percent must be deposited in the transit assistance fund and allocated 84.37 percent to the metropolitan area transit account, and 9.38 percent to the greater Minnesota transit account. The remaining money must be deposited in the general fund.

(5) On and after July 1, 2011, 100 percent must be deposited in the transit assistance fund and allocated 90 percent to the metropolitan area transit account, and ten percent to the greater Minnesota transit account.

Sec. 3. Minnesota Statutes 2006, section 297A.815, is amended by adding a subdivision to read:

Subd. 4. **Reporting of tax proceeds.** A lessor must report taxes collected under this section separately from any other taxes collected and remitted under this chapter or chapter 297B.

Sec. 4. Minnesota Statutes 2006, section 297A.94, is amended to read:

**297A.94 DEPOSIT OF REVENUES.**

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

(g) The revenues, including interest and penalties, collected under section 297A.815 must be deposited as provided in section 297A.815, subdivision 3.

Sec. 5. Minnesota Statutes 2006, section 297B.09, subdivision 1, is amended to read:

Subdivision 1. **Deposit of revenues.** (a) Money collected and received under this chapter must be deposited as provided in this subdivision.

~~(b) From July 1, 2002, to June 30, 2003, 32 percent of the money collected and received must be deposited in the highway user tax distribution fund, 20.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund.~~

~~(c) From July 1, 2003, to June 30, 2007, 30 percent of the money collected and received must be deposited in the highway user tax distribution fund, 21.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, 1.43 percent must be deposited in the greater Minnesota transit fund under section 16A.88, 0.65 percent must be deposited in the county state aid highway fund, and 0.17 percent must be deposited in the municipal state aid street fund. The remaining money must be deposited in the general fund.~~

~~(d) On and after From July 1, 2007, 32 through June 30, 2008, 38.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 20.5 22.3 percent must be deposited in the metropolitan area transit fund account under section 16A.88, and 1.25 3.2 percent must be deposited in the greater Minnesota transit fund account under section 16A.88. The remaining money must be deposited in the general fund.~~

(c) From July 1, 2008, through June 30, 2009, 44.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 25.8 percent must be deposited in the metropolitan area transit account under section 16A.88, 3.7 percent must be deposited in the greater Minnesota transit account under section 16A.88, and the remaining money must be deposited in the general fund.

(d) From July 1, 2009, through June 30, 2010, 50.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 29.3 percent must be deposited in the metropolitan area transit account under section 16A.88, 4.2 percent must be deposited in the greater Minnesota transit account under section 16A.88, and the remaining money must be deposited in the general fund.

(e) From July 1, 2010, through June 30, 2011, 56.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 32.8 percent must be deposited in the metropolitan area transit account under section 16A.88, 4.7 percent must be deposited in the greater Minnesota transit account under section 16A.88, and the remaining money must be deposited in the general fund.

(f) On and after July 1, 2011, 60 percent of the money collected and received must be deposited in the highway user tax distribution fund, 35 percent must be deposited in the metropolitan area transit account under section 16A.88, and five percent must be deposited in the greater Minnesota transit account under section 16A.88.

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

Sec. 6. **REPEALER.**

Minnesota Statutes 2006, section 174.32, is repealed.

## ARTICLE 5

### TRUNK HIGHWAY BONDING

Section 1. **TRANSPORTATION APPROPRIATIONS.**

\$100,000,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of transportation in each of fiscal years 2008 through 2014 for trunk highway improvements. No more than \$15,000,000 of each year's appropriation may be used by the commissioner for program delivery.

Of this amount, in 2008:

(1) \$4,299,000 is for predesign, design, construction, and restoration of historic roadside properties on the Great River Road. The commissioner shall consult with the Minnesota Mississippi River Parkway Commission to determine project priorities;

(2) \$20,673,000 is to the commissioner of transportation to design, construct, furnish, and equip a new Department of Transportation district headquarters facility in Mankato;

(3) \$12,715,000 is appropriated to the commissioner of administration to repair and renovate the exterior of the Department of Transportation Building at 395 John Ireland Boulevard in St. Paul; and

(4) \$40,000,000 is for construction of interchanges involving a trunk highway, where the interchange will promote economic development, increase employment, relieve growing traffic congestion, and promote traffic safety.

Sec. 2. **FINANCE APPROPRIATION.**

\$100,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of finance in each of fiscal years 2008 through 2014 for bond sale expenses under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

Sec. 3. **BOND SALE AUTHORIZATION.**

To provide the money appropriated in this article from the bond proceeds account in the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$700,700,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received from the sale of the bonds, must be deposited in the bond proceeds account in the trunk highway fund.

**ARTICLE 6**

**COUNTY WHEELAGE TAX**

Section 1. Minnesota Statutes 2006, section 163.051, is amended to read:

**163.051 METROPOLITAN COUNTY WHEELAGE TAX.**

Subdivision 1. **Tax authorized.** ~~The board of commissioners of each metropolitan county is authorized to levy by resolution a wheelage tax of \$5 for the year 1972 and each subsequent year thereafter by resolution \$5 or \$10 each year on each motor vehicle, except motorcycles as defined in section 169.01, subdivision 4, which is kept in such county when not in operation and which is and motorized bicycles as defined in section 169.01, subdivision 4a, that is domiciled in the county and subject to annual registration and taxation under chapter 168. The board may provide by resolution for collection of the wheelage tax by county officials or it may request that the tax be collected by the state registrar of motor vehicles, and the state registrar of motor vehicles shall collect such the tax on behalf of the county if requested, as provided in subdivision 2 provided in the board resolution.~~

Subd. 2. **Collection by registrar of motor vehicles.** ~~The wheelage tax levied by any metropolitan county, if made collectible by the state registrar of motor vehicles, shall be certified by the county auditor to the registrar not later than August 1 in the year before the a calendar year or years for which the tax is levied, and the registrar shall collect such the tax with the motor vehicle taxes registration tax on the each affected vehicles vehicle for such that year or years. Every An owner and every operator of such a motor vehicle subject to the wheelage tax shall furnish to the registrar all information requested by the registrar relating to the wheelage tax. No state motor A vehicle registration tax on any such motor vehicle for any such year shall may not be received or deemed paid unless the applicable wheelage tax is paid therewith. The proceeds of the wheelage tax levied by any metropolitan county, less any amount retained by the registrar to pay costs of collection of the wheelage tax, shall be paid to the commissioner of finance and deposited in the state treasury to the credit of the county wheelage tax fund of each metropolitan county.~~

Subd. 2a. **Tax proceeds deposited; costs of collection; appropriation.** ~~Notwithstanding the provisions of any other law, the state registrar of motor vehicles shall deposit the proceeds of the wheelage tax imposed by subdivision 2, to the credit of the county wheelage tax road and bridge fund of each metropolitan county that levies the wheelage tax. The amount necessary to pay the costs of collection of said collecting the tax is appropriated to the registrar from the county wheelage tax~~

road and bridge fund of each metropolitan county to the state registrar of motor vehicles that levies the tax.

~~Subd. 3. **Distribution to metropolitan county; appropriation.** On or before April 1 in 1972 and each subsequent year, the commissioner of finance shall issue a warrant in favor of the treasurer of each metropolitan county for which the registrar has collected a wheelage tax in the amount of such tax then on hand in the county wheelage tax fund. There is hereby appropriated from the county wheelage tax fund each year, to each metropolitan county entitled to payments authorized by this section, sufficient moneys to make such payments.~~

~~Subd. 4. **Use of tax.** The treasurer of each metropolitan county receiving moneys under subdivision 3 shall deposit such moneys in the county road and bridge fund. The moneys shall be used for purposes authorized by law which are highway purposes within the meaning of the Minnesota Constitution, article 14.~~

~~Subd. 5. **Effect on road and bridge levy.** 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, 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.~~

~~Subd. 6. **Metropolitan county defined.** "Metropolitan county" means any of the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.~~

~~Subd. 7. **Offenses; penalties; application of other laws.** Any owner or operator of a motor vehicle who shall willfully give any gives false information relative to the wheelage tax herein authorized to the registrar of motor vehicles or any metropolitan county, or who shall willfully fail fails or refuse refuses to furnish any such information, shall be is guilty of a misdemeanor. Except as otherwise herein provided in this section, the collection and payment of a wheelage tax and all related matters relating thereto shall be are subject to all provisions of law laws relating to collection and payment of motor vehicle taxes so far as applicable.~~

Sec. 2. Minnesota Statutes 2006, section 168.011, subdivision 6, is amended to read:

Subd. 6. **Tax.** "Tax" means the annual registration tax imposed on vehicles in lieu of all other taxes, except wheelage taxes which may be imposed by any city or county, and gross earnings taxes paid by companies. The annual tax is both a property tax and a highway use tax and shall be on the basis of the calendar year.

Sec. 3. Minnesota Statutes 2006, section 168.013, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** Motor vehicles, except as set forth in section 168.012, using the public streets or highways in the state, and park trailers taxed under subdivision 1j, shall be taxed in lieu of all other taxes thereon, except wheelage taxes, so-called, which may be imposed by any city or county as provided by law, and except gross earnings taxes paid by companies subject or made subject thereto, and shall be privileged to use the public streets and highways, on the basis and at

the rate for each calendar year as hereinafter provided.

## ARTICLE 7

### PUBLIC SAFETY DEPARTMENT SERVICES FEES

Section 1. Minnesota Statutes 2006, section 168.017, subdivision 3, is amended to read:

Subd. 3. **Exceptions.** (a) The registrar shall register all vehicles subject to registration under the monthly series system for a period of 12 consecutive calendar months, unless:

(1) the application is an original rather than renewal application; or

(2) the applicant is a licensed motor vehicle lessor under section 168.27, in which case the applicant may apply for initial ~~or renewed~~ registration of a vehicle for a period of four or more months, the month of expiration to be designated by the applicant at the time of registration. However, to qualify for this exemption, the applicant must pay a \$10 administrative fee and present the application to the registrar at St. Paul, or ~~at a designated deputy registrar offices as the registrar may designate.~~ office. At the end of the initial registration period, the applicant may only renew the registration on the vehicle for the remainder of the period prescribed under subdivision 1 had the applicant not utilized the exception in this subdivision. Upon the renewal of registration, the applicant shall pay 1/12 of the annual tax for each calendar month remaining in the registration period in addition to a \$10 administrative fee. Nothing in this subdivision prohibits the applicant from purchasing registration for an additional full registration period in conjunction with the purchase of the remainder portion.

(b) In any instance except that of a licensed motor vehicle lessor, the registrar shall not approve registering the vehicle subject to the application for a period of less than three months, except when the registrar determines that to do otherwise will help to equalize the registration and renewal work load of the department.

(c) The fee collected under paragraph (a), clause (2), must be deposited in the vehicle services operating account in the special revenue fund as specified in section 299A.705.

Sec. 2. Minnesota Statutes 2006, section 168.12, subdivision 5, is amended to read:

Subd. 5. **Additional fee.** (a) In addition to any fee otherwise authorized or any tax otherwise imposed upon any vehicle, the payment of which is required as a condition to the issuance of any plate or plates, the commissioner shall impose the fee specified in paragraph (b) that is calculated to cover the cost of manufacturing and issuing the plate or plates, except for plates issued to disabled veterans as defined in section 168.031 and plates issued pursuant to section 168.124, 168.125, or 168.27, subdivisions 16 and 17, for passenger automobiles. ~~The commissioner shall issue graphic design plates only for vehicles registered pursuant to section 168.017 and recreational vehicles registered pursuant to section 168.013, subdivision 1g.~~

(b) Unless otherwise specified or exempted by statute, the following plate and validation sticker fees apply for the original, duplicate, or replacement issuance of a plate in a plate year:

<del>Sequential Regular Double Plate</del>	\$ 4.25
<del>Sequential Special Plate Double</del>	\$ 7.00

Sequential Regular Single Plate	\$ 3.00
Sequential Special Plate Single	\$ 5.50
Utility Trailer Self-Adhesive Plate	\$ 2.50
Nonsequential Double Plate	\$ 14.00
Nonsequential Single Plate	\$ 10.00
Duplicate Sticker	\$ 1.00

License Plate	Single	Double
<u>Regular and Disability</u>	\$ 4.50	\$ 6.00
<u>Special</u>	\$ 8.50	\$ 10.00
<u>Personalized (Replacement)</u>	\$ 10.00	\$ 14.00
<u>Collector Category</u>	\$ 13.50	\$ 15.00
<u>Emergency Vehicle Display</u>	\$ 3.00	\$ 6.00
<u>Utility Trailer Self-Adhesive</u>	\$ 2.50	
<u>Stickers</u>		
<u>Duplicate year</u>	\$ 1.00	\$ 1.00
<u>International Fuel Tax Agreement</u>	\$ 2.50	

(c) For vehicles that require two of the categories above, the registrar shall only charge the higher of the two fees and not a combined total.

Sec. 3. Minnesota Statutes 2006, section 168A.29, subdivision 1, is amended to read:

Subdivision 1. **Amounts.** (a) The department must be paid the following fees:

(1) for filing an application for and the issuance of an original certificate of title, the sum of ~~\$5.50~~ \$6.25 of which ~~\$2.50~~ \$3.25 must be paid into the vehicle services operating account of the special revenue fund under section 299A.705;

(2) for each security interest when first noted upon a certificate of title, including the concurrent notation of any assignment thereof and its subsequent release or satisfaction, the sum of \$2, except that no fee is due for a security interest filed by a public authority under section 168A.05, subdivision 8;

(3) for the transfer of the interest of an owner and the issuance of a new certificate of title, the sum of \$5.50 of which \$2.50 must be paid into the vehicle services operating account of the special revenue fund under section 299A.705;

(4) for each assignment of a security interest when first noted on a certificate of title, unless noted concurrently with the security interest, the sum of \$1;

(5) for issuing a duplicate certificate of title, the sum of ~~\$6.50~~ \$7.25 of which ~~\$2.50~~ \$3.25 must be

paid into the vehicle services operating account of the special revenue fund under section 299A.705.

(b) After June 30, 1994, in addition to each of the fees required under paragraph (a), clauses (1) and (3), the department must be paid \$3.50. The additional \$3.50 fee collected under this paragraph must be deposited in the special revenue fund and credited to the public safety motor vehicle account established in section 299A.70.

Sec. 4. Minnesota Statutes 2006, section 171.02, subdivision 3, is amended to read:

Subd. 3. **Motorized bicycle.** (a) A motorized bicycle may not be operated on any public roadway by any person who does not possess a valid driver's license, unless the person has obtained a motorized bicycle operator's permit or motorized bicycle instruction permit from the commissioner of public safety. The operator's permit may be issued to any person who has attained the age of 15 years and who has passed the examination prescribed by the commissioner. The instruction permit may be issued to any person who has attained the age of 15 years and who has successfully completed an approved safety course and passed the written portion of the examination prescribed by the commissioner.

(b) This course must consist of, but is not limited to, a basic understanding of:

- (1) motorized bicycles and their limitations;
- (2) motorized bicycle laws and rules;
- (3) safe operating practices and basic operating techniques;
- (4) helmets and protective clothing;
- (5) motorized bicycle traffic strategies; and
- (6) effects of alcohol and drugs on motorized bicycle operators.

(c) The commissioner may adopt rules prescribing the content of the safety course, examination, and the information to be contained on the permits. A person operating a motorized bicycle under a motorized bicycle permit is subject to the restrictions imposed by section 169.974, subdivision 2, on operation of a motorcycle under a two-wheel instruction permit.

(d) The fees for motorized bicycle operator's permits are as follows:

(1) Examination and operator's permit, valid for one year	\$ <del>6</del> <u>6.75</u>
(2) Duplicate	\$ <del>3</del> <u>3.75</u>
(3) Renewal permit before age 21 and valid until age 21	\$ <del>9</del> <u>9.75</u>
(4) Renewal permit age 21 or older and valid for four years	\$ <del>15</del> <u>15.75</u>
(5) Duplicate of any renewal permit	\$ <del>4.50</del> <u>5.25</u>
(6) Written examination and instruction permit, valid for 30 days	\$ <del>6</del> <u>6.75</u>

Sec. 5. Minnesota Statutes 2006, section 171.06, subdivision 2, is amended to read:

Subd. 2. **Fees.** (a) The fees for a license and Minnesota identification card are as follows:

<del>Classified Driver's License</del>	<del>D-\$21.50</del>	<del>C-\$25.50</del>	<del>B-\$32.50</del>	<del>A-\$40.50</del>
<del>Classified Under-21 D.L.</del>	<del>D-\$21.50</del>	<del>C-\$25.50</del>	<del>B-\$32.50</del>	<del>A-\$20.50</del>
<u>Classified Driver's License</u>	<u>D-\$22.25</u>	<u>C-\$26.25</u>	<u>B-\$33.25</u>	<u>A-\$41.25</u>
<u>Classified Under-21 D.L.</u>	<u>D-\$22.25</u>	<u>C-\$26.25</u>	<u>B-\$33.25</u>	<u>A-\$21.25</u>
Instruction Permit			\$9.50	<u>\$10.25</u>
Provisional License			\$12.50	<u>\$13.25</u>
Duplicate License or duplicate identification card			\$11.00	<u>\$11.75</u>
Minnesota identification card or Under-21 Minnesota identification card, other than duplicate, except as otherwise provided in section 171.07, subdivisions 3 and 3a			\$15.50	<u>\$16.25</u>

(b) Notwithstanding paragraph (a), an individual who holds a provisional license and has a driving record free of (1) convictions for a violation of section 169A.20, 169A.33, 169A.35, or sections 169A.50 to 169A.53, (2) convictions for crash-related moving violations, and (3) convictions for moving violations that are not crash related, shall have a \$3.50 credit toward the fee for any classified under-21 driver's license. "Moving violation" has the meaning given it in section 171.04, subdivision 1.

(c) In addition to the driver's license fee required under paragraph (a), the commissioner shall collect an additional \$4 processing fee from each new applicant or individual renewing a license with a school bus endorsement to cover the costs for processing an applicant's initial and biennial physical examination certificate. The department shall not charge these applicants any other fee to receive or renew the endorsement.

Sec. 6. Minnesota Statutes 2006, section 171.07, subdivision 3a, is amended to read:

Subd. 3a. **Identification cards for seniors.** A Minnesota identification card issued to an applicant 65 years of age or over shall be of a distinguishing color and plainly marked "senior." The fee for the card issued to an applicant 65 years of age or over shall be one-half the required fee for a class D driver's license rounded down to the nearest quarter dollar. A Minnesota identification card or a Minnesota driver's license issued to a person 65 years of age or over shall be valid identification for the purpose of qualifying for reduced rates, free licenses or services provided by any board, commission, agency or institution that is wholly or partially funded by state appropriations.

Sec. 7. Minnesota Statutes 2006, section 171.07, subdivision 11, is amended to read:

Subd. 11. **Standby or temporary custodian.** (a) Upon the written request of the applicant and upon payment of an additional fee of ~~\$3.50~~ \$4.25, the department shall issue a driver's license or Minnesota identification card bearing a symbol or other appropriate identifier indicating that the license holder has appointed an individual to serve as a standby or temporary custodian under chapter 257B.

(b) The request must be accompanied by a copy of the designation executed under section 257B.04.

(c) The department shall maintain a computerized records system of all individuals listed as standby or temporary custodians by driver's license and identification card applicants. This data must be released to appropriate law enforcement agencies under section 13.69. Upon a parent's request and payment of a fee of ~~\$3.50~~ \$4.25, the department shall revise its list of standby or temporary custodians to reflect a change in the appointment.

(d) At the request of the license or cardholder, the department shall cancel the standby or temporary custodian indication without additional charge. However, this paragraph does not prohibit a fee that may be applicable for a duplicate or replacement license or card, renewal of a license, or other service applicable to a driver's license or identification card.

(e) Notwithstanding sections 13.08, subdivision 1, and 13.69, the department and department employees are conclusively presumed to be acting in good faith when employees rely on statements made, in person or by telephone, by persons purporting to be law enforcement and subsequently release information described in paragraph (b). When acting in good faith, the department and department personnel are immune from civil liability and not subject to suit for damages resulting from the release of this information.

(f) The department and its employees:

(1) have no duty to inquire or otherwise determine whether a designation submitted under this subdivision is legally valid and enforceable; and

(2) are immune from all civil liability and not subject to suit for damages resulting from a claim that the designation was not legally valid and enforceable.

(g) Of the fees received by the department under this subdivision:

(1) Up to \$61,000 received must be deposited in the general fund.

(2) All other fees must be deposited in the driver services operating account in the special revenue fund specified in section 299A.705.

Sec. 8. Minnesota Statutes 2006, section 171.20, subdivision 4, is amended to read:

Subd. 4. **Reinstatement fee.** (a) Before the license is reinstated, (1) an individual whose driver's license has been suspended under section 171.16, subdivisions 2 and 3; ~~171.175~~; 171.18; or 171.182, or who has been disqualified from holding a commercial driver's license under section 171.165, and (2) an individual whose driver's license has been suspended under section 171.186 and who is not exempt from such a fee, must pay a fee of \$20.

(b) Before the license is reinstated, an individual whose license has been suspended under sections 169.791 to 169.798 must pay a \$20 reinstatement fee.

(c) When fees are collected by a licensing agent appointed under section 171.061, a handling charge is imposed in the amount specified under section 171.061, subdivision 4. The reinstatement fee and surcharge must be deposited in an approved state depository as directed under section 171.061, subdivision 4.

(d) Reinstatement fees collected under paragraph (a) for suspensions under sections 171.16, subdivision 3, and 171.18, subdivision 1, clause (10), must be deposited in the special revenue fund and are appropriated to the Peace Officer Standards and Training Board for peace officer training reimbursement to local units of government.

(e) A suspension may be rescinded without fee for good cause.

Sec. 9. Minnesota Statutes 2006, section 299D.09, is amended to read:

**299D.09 ESCORT SERVICE; APPROPRIATION; RECEIPTS.**

Fees charged for escort services provided by the State Patrol are annually appropriated to the commissioner of public safety to administer and provide these services.

The fees charged for services provided by the State Patrol with a vehicle are \$73.60 an hour in fiscal year 2008 and \$75.76 an hour in fiscal year 2009 and thereafter. The fees charged for services provided without a vehicle are \$54.00 an hour in fiscal year 2008 and \$56.16 an hour in fiscal year 2009 and thereafter.

The fees charged for State Patrol flight services are \$140 an hour for a fixed wing aircraft, \$490 an hour for a helicopter, and \$600 an hour for the Queen Air."

Delete the title and insert:

"A bill for an act relating to transportation appropriations; appropriating money for transportation, Metropolitan Council, and public safety activities and programs; providing for fund transfers, contingent appropriations, and tort claims; providing for various fees and accounts; modifying or adding provisions relating to making technical and clarifying changes; amending Minnesota Statutes 2006, sections 16A.88; 163.051; 168.011, subdivision 6; 168.013, subdivision 1; 168.017, subdivision 3; 168.12, subdivision 5; 168A.29, subdivision 1; 171.02, subdivision 3; 171.06, subdivision 2; 171.07, subdivisions 3a, 11; 171.20, subdivision 4; 296A.07, subdivision 3; 296A.08, subdivision 2; 297A.815, by adding subdivisions; 297A.94; 297B.09, subdivision 1; 299D.09; Laws 2005, First Special Session chapter 6, article 1, section 4, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 297A; repealing Minnesota Statutes 2006, section 174.32."

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

H.F. No. 562 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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Day	Gimse	Larson	Murphy
Bakk	Dibble	Hann	Latz	Neuville
Berglin	Dille	Higgins	Limmer	Olseen
Betzold	Doll	Ingebrigtsen	Lourey	Olson, G.
Bonoff	Erickson Ropes	Jungbauer	Lynch	Olson, M.
Carlson	Fischbach	Koch	Marty	Ortman
Chaudhary	Foley	Koering	Metzen	Pappas
Clark	Frederickson	Kubly	Michel	Pariseau
Cohen	Gerlach	Langseth	Moua	Pogemiller

Prettner Solon  
Rest  
Robling  
Rosen

Rummel  
Saltzman  
Saxhaug  
Scheid

Senjem  
Sheran  
Sieben  
Skoe

Skogen  
Sparks  
Tomassoni  
Torres Ray

Vandevier  
Vickerman  
Wergin  
Wiger

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Pogemiller moved that H.F. No. 1063 be taken from the table. The motion prevailed.

**H.F. No. 1063:** A bill for an act relating to environment; adopting the Uniform Environmental Covenants Act; amending Minnesota Statutes 2006, sections 115.072; 115B.17, subdivision 15; proposing coding for new law as Minnesota Statutes, chapter 114E.

Senator Pappas moved to amend H.F. No. 1063, the second unofficial engrossment, as follows:

Page 2, line 8, delete "1,572,748,000" and insert "1,574,945,000" and delete "1,590,760,000" and insert "1,588,563,000"

Page 2, line 10, delete "1,574,905,000" and insert "1,577,102,000" and delete "1,592,917,000" and insert "1,590,720,000"

Page 2, line 16, delete "189,079,000" and insert "188,288,000" and delete "189,140,000" and insert "188,804,000" and delete "378,219,000" and insert "377,092,000"

Page 2, line 19, delete "665,952,000" and insert "666,883,000" and delete "690,228,000" and insert "689,297,000"

Page 2, line 21, delete "712,672,000" and insert "714,729,000" and delete "706,299,000" and insert "705,369,000" and delete "1,418,971,000" and insert "1,420,098,000"

Page 2, line 25, delete "1,574,905,000" and insert "1,577,102,000" and delete "1,592,917,000" and insert "1,590,720,000"

Page 3, line 3, delete "189,079,000" and insert "188,288,000" and delete "189,140,000" and insert "188,804,000"

Page 3, line 7, delete "150,762,000" and insert "147,400,000" and delete "150,510,000" and insert "144,138,000"

Page 4, line 9, delete "624,000" and insert "496,000" and delete "624,000" and insert "496,000"

Page 4, line 14, delete "400,000" and insert "3,400,000" and delete "935,000" and insert "7,400,000"

Page 5, delete lines 7 to 16 and insert:

"(b) For Achieve scholarships under Minnesota Statutes, section 136A.127.

This appropriation includes \$3,000,000 that may be used in the 2008-2009 biennium

to support access to rigorous high school courses and college attendance programs. This includes, but is not limited to, College in the Schools and Postsecondary Enrollment Options, grants under the Intervention for College Access Program, additional funding for the Get Ready Program or local recipients of federal TRIO program money, local college access programs, and to increase support for school districts to improve high school counseling.

Up to \$350,000 in the 2008-2009 biennium may be used for administration of the program. Up to \$200,000 in the 2010-2011 biennium may be used for administration of the program.

The base funding for this program is \$10,000,000 in fiscal year 2010 and \$10,000,000 in fiscal year 2011."

Page 5, line 17, delete "1,500,000" and insert "1,199,000" and delete "1,200,000" and insert "899,000"

Page 8, line 13, delete "665,952,000" and insert "666,883,000" and delete "690,228,000" and insert "689,297,000"

Page 8, line 17, delete "665,952,000" and insert "666,883,000" and delete "690,228,000" and insert "689,297,000"

Page 12, delete lines 29 to 35

Page 13, delete lines 1 and 2

Page 15, line 9, delete "712,672,000" and insert "714,729,000" and delete "706,299,000" and insert "705,369,000"

Page 15, line 12, delete "710,515,000" and insert "712,572,000" and delete "704,142,000" and insert "703,212,000"

Page 15, line 17, delete "619,127,000" and insert "621,184,000" and delete "638,754,000" and insert "637,824,000"

Page 33, line 29, delete "95" and insert "96"

Page 33, line 30, delete "85" and insert "86"

Page 33, line 32, delete "67" and insert "68"

Page 34, delete section 19

Page 36, delete lines 30 to 35

Page 37, delete lines 1 to 15 and insert:

"Subd. 2. **Definition; qualifying program.** For the purposes of this section, a "qualifying program" means a rigorous secondary school program of study defined by the Department of Education under agreement with the Secretary of Education for the purposes of determining eligibility for the federal Academic Competitiveness Grant Program under Title IV of the Higher Education Act of 1965, as amended.

Subd. 3. **Documentation of qualifying programs.** The student shall request a transcript from the high school. The high school shall provide a transcript to the Office of Higher Education or to the eligible institution in which the student is enrolling, documenting the qualifying program.

Subd. 4. **Student eligibility.** To be eligible to receive a scholarship under this section, in addition to the requirements listed under section 136A.121, a student must:

(1) submit a Free Application for Federal Student Aid (FAFSA);

(2) take and receive at least a grade of C for courses that comprise a rigorous secondary school program of study in a high school or in a home-school setting under section 120A.22, and graduate from high school;

(3) have a family adjusted gross income in the last complete calendar year prior to the academic year of postsecondary attendance of less than \$75,000;

(4) be a United States citizen or eligible noncitizen, as defined in section 484 of the Higher Education Act, United States Code, title 20, section 1091 et seq., as amended, and Code of Federal Regulations, title 34, section 668.33; and

(5) be a Minnesota resident, as defined in section 136A.101, subdivision 8."

Page 37, line 16, delete "Subd. 6." and insert "Subd. 5."

Page 37, line 19, delete "Subd. 7." and insert "Subd. 6."

Page 37, line 21, delete "Subd. 8." and insert "Subd. 7."

Page 37, line 24, delete "Subd. 9." and insert "Subd. 8."

Page 37, delete lines 28 to 35 and insert:

"Subd. 9. **Scholarship awards.** Minnesota Achieve scholarships shall consist of \$1,200 for a student who takes and receives at least a grade of C for courses required under a qualifying program. The scholarships may be used to pay for qualifying expenses at eligible institutions.

Subd. 10. **Qualifying expenses.** Qualifying expenses are components included under the cost of attendance used for federal student financial aid programs, as defined in section 472 of the Higher Education Act, United States Code, title 20, sections 1091 et seq., as amended."

Page 38, delete lines 1 to 2

Page 38, line 3, delete "Subd. 12." and insert "Subd. 11."

Page 38, after line 5, insert:

"Subd. 12. **Availability of scholarship funds.** A scholarship earned by a student is available for four years immediately following high school graduation. The office must certify to the commissioner of finance by October 1 of each year the amounts to be canceled from scholarship eligibility that have expired.

Subd. 13. **Disbursement of scholarships.** The office shall make two equal payments to a postsecondary institution on behalf of the student. The second payment must be made after the student successfully completes the first term of enrollment."

Page 38, line 6, delete "Subd. 13." and insert "Subd. 14."

Page 38, line 11, delete "a description of the number" and insert "the demographics"

Page 38, line 12, delete everything after "(2)" and insert "the grades scholarship recipients received for courses in the qualifying program under subdivision 2;"

Page 38, line 13, delete everything after "(3)" and insert "the number of scholarship recipients who persisted at a postsecondary institution for a second year;"

Page 38, delete line 14

Page 38, line 20, delete "2008" and insert "2007, for students who graduate from high school after January 1, 2008"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No 1063 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 65 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

**RECESS**

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

**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. 184, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 184:** A bill for an act relating to health; authorizing registered nurses to dispense oral contraceptives in family planning clinics; expanding the definition of a governmental unit; providing for adjustment of medical assistance reimbursement rates for family planning clinics; amending Minnesota Statutes 2006, sections 148.235, by adding a subdivision; 471.59, subdivision 1.

Senate File No. 184 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 21, 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. 1208, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 1208 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 21, 2007

**CONFERENCE COMMITTEE REPORT ON H. F. NO. 1208**

A bill for an act relating to state government; changing provisions for construction codes and licensing provisions; providing penalties and enforcement; modifying provisions relating to the limitation on certain actions; instructing the revisor to renumber certain statutory sections; appropriating money; providing appropriation reductions; amending Minnesota Statutes 2006, sections 16B.04, subdivision 2; 16B.60, subdivisions 4, 7, 8, 11; 16B.61; 16B.615, subdivision

4; 16B.617; 16B.6175; 16B.63; 16B.64, by adding a subdivision; 16B.65; 16B.70; 16B.72; 16B.73; 16B.735; 16B.74, subdivisions 1, 2, by adding subdivisions; 16B.741; 16B.744; 16B.745, subdivisions 1, 4; 16B.747; 16B.748; 16B.76; 31.175; 103I.621, subdivision 3; 144.122; 144.99, subdivision 1; 175.16, subdivision 1; 178.01; 178.02; 178.03, subdivision 3; 178.041, subdivision 1; 183.38; 183.39, subdivision 1; 183.411, subdivision 2; 183.42; 183.45; 183.46; 183.465; 183.466; 183.48; 183.501; 183.505; 183.51; 183.54, subdivisions 1, 3; 183.545, by adding a subdivision; 183.56; 183.57, subdivisions 1, 2, 5, 6; 183.59; 183.60; 183.61, subdivisions 2, 4; 214.01, subdivision 3; 214.04, subdivisions 1, 3; 299F.011, subdivision 1; 325E.37, subdivision 6; 325E.58; 326.01, subdivisions 2, 3, 5, 6, 6a, 6b, 6c, 6e, 6f, 6g, 6j, 6k, 6l, 7, 8, by adding subdivisions; 326.242; 326.243; 326.244, subdivisions 1a, 2, 3, 4, 5, by adding a subdivision; 326.2441; 326.245; 326.248; 326.37; 326.38; 326.39; 326.40; 326.401; 326.405; 326.42; 326.46; 326.461, by adding subdivisions; 326.47; 326.48; 326.50; 326.57, subdivision 1; 326.58; 326.59; 326.60; 326.601; 326.61, subdivisions 1, 2, 3, 4; 326.62; 326.65; 326.83, subdivisions 6, 7, 11, 18, 19, 20; 326.84; 326.841; 326.842; 326.86; 326.87; 326.88; 326.89; 326.90, subdivision 1; 326.91, subdivision 1; 326.92; 326.921; 326.93; 326.94; 326.95, subdivision 2; 326.96; 326.97; 326.975, subdivision 1; 326.992; 327.20, subdivision 1; 327.205; 327.31, subdivisions 2, 3, 4, 7, 15, by adding a subdivision; 327.32, subdivision 8; 327.33, subdivisions 2, 6, 7; 327.34, subdivision 3; 327.35, subdivisions 1, 2; 327A.01, subdivision 2; 327B.01, subdivisions 4, 5, 7, 17, by adding subdivisions; 327B.04, subdivisions 1, 4, 6, 7, 8, by adding a subdivision; 327B.05, subdivision 1; 327B.10; 363A.40, subdivision 1; 462.357, subdivision 6a; 462A.07, subdivision 8; 471.465; 471.466; 471.467; 471.471; 541.051; proposing coding for new law in Minnesota Statutes, chapters 326; 327B; proposing coding for new law as Minnesota Statutes, chapter 326B; repealing Minnesota Statutes 2006, sections 16B.665; 16B.747, subdivision 4; 183.001; 183.02; 183.375, subdivisions 1, 2, 3, 4, 5, 6; 183.41, subdivisions 1, 2, 3, 4; 183.44, subdivisions 1, 2, 3; 183.52; 183.54, subdivision 2; 183.545, subdivision 9; 183.61, subdivisions 1, 3, 5, 6; 326.01, subdivisions 4, 6h, 9, 10, 11, 12, 13; 326.241; 326.242, subdivisions 4, 9, 9a, 9b, 9c, 9d, 9e, 9f, 9g, 9h, 9i, 9j, 9k, 10; 326.244, subdivision 6; 326.246; 326.2461; 326.247; 326.40, subdivision 4; 326.41; 326.44; 326.45; 326.47, subdivision 5; 326.51; 326.52; 326.521; 326.64; 326.83, subdivisions 3, 4, 12, 13; 326.85; 326.875; 326.91, subdivisions 2, 3, 4; 326.945; 326.975; 326.98; 327B.05, subdivisions 2, 3, 4, 5, 6; Minnesota Rules, parts 2809.0230; 2891.0010; 2891.0030; 3800.2650; 3800.3580; 3800.3590; 3800.3630; 3800.3750; 3800.3835; 4715.5600; 4715.5900; 4717.7000, subpart 1, item I; 5225.0880; 5225.8600, subparts 1, 2, 3, 4, 5, 6, 7, 8, 9; 5230.0010; 5230.0020; 5230.0040; 5230.0060, subpart 2; 5230.0100, subparts 1, 3, 4.

May 20, 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. 1208 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 1208 be further amended as follows:

Page 97, line 2, delete "15" and insert "14"

Page 97, line 3, delete "Eleven" and insert "Twelve"

Page 97, line 10, delete "13" and insert "12"

Page 97, line 25, delete "two members" and insert "one member" and after "be" delete "public members" and insert "a public member"

Page 98, line 4, after the period, insert "The public member shall be appointed for a term to end December 31, 2010."

Page 174, after line 11, insert:

"The board shall make recommendations by October 1, 2008, to the chairs of the standing committees of the senate and house of representatives having jurisdiction over high pressure piping regulation on the ratio of licensed individual contracting high pressure pipefitters or licensed journeyman high pressure pipefitters to pipefitter apprentices or registered unlicensed individuals for purposes of supervision."

Page 176, line 21, delete "14" and insert "13" and delete "Eleven" and insert "Twelve"

Page 176, line 27, delete "13" and insert "12"

Page 177, line 7, delete "two members" and insert "one member" and after "be" delete "public members" and insert "a public member"

Page 177, line 19, after the period, insert "The public member shall be appointed for a term to end December 31, 2010."

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

House Conferees: (Signed) Tim Mahoney, Michael V. Nelson, Dennis Ozment

Senate Conferees: (Signed) Linda Scheid, Dan Sparks, Geoff Michel

Senator Scheid moved that the foregoing recommendations and Conference Committee Report on H.F. No. 1208 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. 1208 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 62 and nays 2, as follows:

Those who voted in the affirmative were:

Anderson	Day	Hann	Limmer	Olseen
Bakk	Dille	Higgins	Lourey	Olson, G.
Berglin	Doll	Ingebrigtsen	Lynch	Olson, M.
Betzold	Erickson Ropes	Jungbauer	Marty	Ortman
Bonoff	Fischbach	Koch	Metzen	Pappas
Carlson	Foley	Koering	Michel	Pariseau
Chaudhary	Frederickson	Langseth	Moua	Pogemiller
Clark	Gerlach	Larson	Murphy	Prettner Solon
Cohen	Gimse	Latz	Neuville	Rest

Robling	Saxhaug	Sieben	Tomassoni	Wiger
Rosen	Scheid	Skoe	Torres Ray	
Rummel	Senjem	Skogen	Vickerman	
Saltzman	Sheran	Sparks	Wergin	

Those who voted in the negative were:

Kubly                      Vandever

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

### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

**S.F. No. 1196:** A bill for an act relating to housing; creating the Minnesota manufactured home relocation trust fund; requiring that a manufactured home park owner make specified payments to the trust fund; requiring an owner of a manufactured home who rents a lot in a manufactured home park to make an annual payment to the trust fund; authorizing advances to the Minnesota manufactured home relocation trust fund; amending Minnesota Statutes 2006, sections 327C.095, subdivisions 1, 4, by adding subdivisions; 462A.21, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 462A.

Senate File No. 1196 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 21, 2007

### CONCURRENCE AND REPASSAGE

Senator Jungbauer moved that the Senate concur in the amendments by the House to S.F. No. 1196 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1196 was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Hann	Latz	Neuville
Bakk	Dille	Higgins	Limmer	Olseen
Berglin	Doll	Ingebrigtsen	Lourey	Olson, G.
Betzold	Erickson Ropes	Jungbauer	Lynch	Olson, M.
Bonoff	Fischbach	Koch	Marty	Ortman
Carlson	Foley	Koering	Metzen	Pappas
Chaudhary	Frederickson	Kubly	Michel	Pariseau
Cohen	Gerlach	Langseth	Moua	Pogemiller
Day	Gimse	Larson	Murphy	Prettner Solon

Rest  
Robling  
Rosen  
Rummel

Saltzman  
Saxhaug  
Scheid  
Senjem

Sheran  
Sieben  
Skoe  
Skogen

Sparks  
Tomassoni  
Torres Ray  
Vandever

Vickerman  
Wergin  
Wiger

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

### RECESS

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

### CALL OF THE SENATE

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Pogemiller moved that H.F. No. 2245 be taken from the table. The motion prevailed.

**H.F. No. 2245:** A bill for an act relating to education; increasing the basic revenue formula allowance; modifying general education aid; amending Minnesota Statutes 2006, sections 126C.10, subdivision 2; 126C.13, subdivision 4.

### SUSPENSION OF RULES

Senator Pogemiller moved that Senate Rule 30.1 be so far suspended as to allow for reconsideration of the vote whereby H.F. No. 2245 was passed by the Senate on May 16, 2007. The motion prevailed.

### RECONSIDERATION

Having voted on the prevailing side, Senator Pogemiller moved that the vote whereby H.F. No. 2245 was passed by the Senate on May 16, 2007, be now reconsidered. The motion prevailed. So the vote was reconsidered.

Senator Pogemiller moved that H.F. No. 2245 be laid on the table. The motion prevailed.

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Pogemiller moved that H.F. No. 2268 be taken from the table. The motion prevailed.

**H.F. No. 2268:** A bill for an act relating to public finance; providing terms and conditions related to the issuance of obligations and the financing of public improvements and services; extending the time for certain publications of notices; authorizing and validating trusts to pay public

postemployment benefits; amending Minnesota Statutes 2006, sections 118A.03, subdivision 3; 123B.61; 204B.46; 275.61, subdivision 1; 331A.05, subdivision 2; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 373.40, subdivision 4; 375B.09; 383B.117, subdivision 2; 383B.77, subdivisions 1, 2; 410.32; 412.301; 428A.02, subdivision 1; 453A.02, subdivision 3; 473.39, by adding subdivisions; 475.52, subdivision 6; 475.53, subdivision 1; 475.58, subdivisions 1, 3b; proposing coding for new law in Minnesota Statutes, chapters 471; 475.

### **SUSPENSION OF RULES**

Senator Pogemiller moved that Senate Rule 30.1 be so far suspended as to allow for reconsideration of the vote whereby H.F. No. 2268 was passed by the Senate on May 16, 2007. The motion prevailed.

### **RECONSIDERATION**

Having voted on the prevailing side, Senator Pogemiller moved that the vote whereby H.F. No. 2268 was passed by the Senate on May 16, 2007, be now reconsidered. The motion prevailed. So the vote was reconsidered.

Senator Pogemiller moved that H.F. No. 2268 be laid on the table. The motion prevailed.

### **MOTIONS AND RESOLUTIONS - CONTINUED**

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

### **MESSAGES FROM THE HOUSE**

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 464, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 464 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 21, 2007

### **CONFERENCE COMMITTEE REPORT ON H. F. NO. 464**

A bill for an act relating to insurance; creating a statewide health insurance pool for school district employees; appropriating money; amending Minnesota Statutes 2006, sections 3.971, subdivision 6; 62E.02, subdivision 23; 62E.10, subdivision 1; 62E.11, subdivision 5; 297I.05, subdivision 5; proposing coding for new law in Minnesota Statutes, chapter 62A.

May 21, 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. 464 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 464 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2006, section 3.971, subdivision 6, is amended to read:

Subd. 6. **Financial audits.** The legislative auditor shall audit the financial statements of the state of Minnesota required by section 16A.50 and, as resources permit, shall audit Minnesota State Colleges and Universities, the University of Minnesota, state agencies, departments, boards, commissions, courts, and other state organizations subject to audit by the legislative auditor, including the State Agricultural Society, Agricultural Utilization Research Institute, Minnesota Technology, Inc., the Minnesota School Employee Insurance Board, Minnesota Historical Society, Labor Interpretive Center, Minnesota Partnership for Action Against Tobacco, Metropolitan Sports Facilities Commission, Metropolitan Airports Commission, and Metropolitan Mosquito Control District. Financial audits must be conducted according to generally accepted government auditing standards. The legislative auditor shall see that all provisions of law respecting the appropriate and economic use of public funds are complied with and may, as part of a financial audit or separately, investigate allegations of noncompliance by employees of departments and agencies of the state government and the other organizations listed in this subdivision.

Sec. 2. Minnesota Statutes 2006, section 13.203, is amended to read:

**13.203 SERVICE COOPERATIVE AND SCHOOL EMPLOYEE INSURANCE BOARD CLAIMS DATA.**

(a) Claims experience and all related information received from carriers and claims administrators participating in a group health or dental plan, including any long-term disability plan, offered through the Minnesota service cooperatives to Minnesota school districts and other political subdivisions or by the Minnesota School Employee Insurance Board created under section 62A.662, and survey information collected from employees and employers participating in these plans and programs, except when the executive director of a Minnesota service cooperative determines that release of the data will not be detrimental to the plan or program, are classified as nonpublic data not on individuals.

(b) Data that are classified as nonpublic data under paragraph (a) may be disclosed if the executive director of a Minnesota service cooperative or the Minnesota School Employee Insurance Board determines that release of the data will not be detrimental to the plan or program.

Sec. 3. **[62A.662] SCHOOL EMPLOYEE INSURANCE PLAN.**

Subdivision 1. **Definitions.** For purposes of this section:

(1) "eligible employee" means a person who is insurance eligible under a collective bargaining agreement or under the personnel policy of an eligible employer; and

(2) "eligible employer" means a school district as defined in section 120A.05; a service cooperative as defined in section 123A.21; an intermediate district as defined in section 136D.01; a cooperative center for vocational education as defined in section 123A.22; a regional management information center as defined in section 123A.23; an education unit organized under section 471.59; or a charter school organized under section 124D.10.

(3) "health plan" means a health plan as defined in section 62A.011; and

(4) "self-insured health benefit plan" means self-insured health care coverage that is offered by the Minnesota School Employee Insurance Board under this section.

Subd. 2. **Creation of board.** (a) The Minnesota School Employee Insurance Board is created as a public corporation subject to the provisions of chapter 317A, except as otherwise provided in this section. As provided in section 15.082, the state is not liable for obligations of this public corporation. An eligible employer is not liable for obligations of this public corporation.

(b) The board shall create and administer the Minnesota school employee insurance pool as described in this section.

(c) Insurance plans and offerings must be effective July 1, 2009.

(d) If the board does not offer coverage by December 15, 2010, the board expires and this section expires on that date.

Subd. 3. **Board of directors.** (a) The Minnesota School Employee Insurance Board consists of:

(1) seven members representing exclusive representatives of eligible employees, appointed by exclusive representatives, as provided in paragraph (b); and

(2) seven members representing eligible employers, appointed by the Minnesota School Boards Association.

(b) The seven members of the board who represent statewide affiliates of exclusive representatives of eligible employees are appointed as follows: four members appointed by Education Minnesota and one member each appointed by the Service Employees International Union, the Minnesota School Employees Association, and American Federation of State, County, and Municipal Employees.

(c) Appointing authorities must make their initial appointments no later than August 1, 2007, by filing a notice of the appointment with the commissioner of commerce. Notices of subsequent appointments must be filed with the board. An entity entitled to appoint a board member may replace the board member at any time.

(d) Board members are eligible for compensation and expense reimbursement under section 15.0575, subdivision 3.

(e) The board must arrange for one or more methods of dispute resolution so as to minimize the possibility of deadlocks.

(f) The board shall establish governance requirements, which may include staggered terms, term limits, quorum, a plan of operation, and audit provisions. The board is subject to financial audit by the legislative auditor under section 3.971, subdivision 6.

Subd. 4. **Design and nature of plan.** (a) Health coverage offered through the Minnesota school employee insurance pool shall be made available by the board to all eligible employees of eligible employers, as defined in subdivision 1.

(b) If an eligible employer provides health coverage or money to purchase health coverage to eligible employees, the coverage must be provided or purchased only through the health plans or self-insured health benefit plans offered by the board.

(c) Nothing in this section affects the right of each eligible employer to determine, through collective bargaining under the public employment labor relations act:

(1) the employer's eligibility requirements regarding the terms and conditions under which employees, dependents, retirees, and other persons are eligible for health coverage from the employer;

(2) how much of the premium charged for the insurance will be paid by the employer and how much will be paid by the eligible person; and

(3) which health plans or self-insured health benefit plans offered by the board will be made available by the eligible employer.

(d) The board must initially offer at least six health plans or self-insured health benefit plans. One plan must provide coverage without a deductible and without other enrollee cost-sharing other than reasonable co-payments for nonpreventive care. One plan must be a high-deductible health plan that qualifies under federal law for use with a health savings account. The other four plans must have levels of enrollee cost-sharing that are between the two plans just described. The board may establish more than one tier of premium rates for any specific plan. Plans and premium rates may vary across geographic regions established by the board. Any health plan or self-insured health benefit plan offered by the board must comply with chapters 62A, 62J, 62M, 62Q, and 72A, and must provide the optimal combination of coverage, cost, choice, and stability in the judgment of the board. Any health plan or self-insured health benefit plan offered must be approved by the commissioner of commerce. The board shall investigate the feasibility of offering coverage through more than one health plan company or other network of health care providers.

(e) The board must include claims reserves, stabilization reserves, reinsurance, and other features that, in the judgment of the board, will result in long-term stability and solvency of the health plans and self-insured health benefit plans offered.

(f) The board may determine whether the plans should be fully insured through a health carrier licensed in this state, self-insured, or a combination of those two alternatives. If at any time any plan offered by the board is not fully insured, the board and the self-insured health benefit plan are subject to section 471.617 and any rules adopted under that section, including Minnesota Rules, chapter 2785.

(g) Any health plan or self-insured health benefit plan must include disease management and consumer education, including wellness programs and measures encouraging the wise use of health coverage, to the extent determined to be appropriate by the board.

(h) Upon request of the board, entities that are providing or have provided coverage to employees of eligible employers within two years before the effective date of this section, shall provide to the board at no charge nonidentifiable aggregate claims data for that coverage. The information must include data relating to employee group benefit sets, demographics, and claims experience. Notwithstanding section 13.203, Minnesota service cooperatives must also comply with this paragraph.

(i) Effective July 1, 2009, a contract entered into between an eligible employer and an eligible employee or the exclusive representative of an eligible employee may not contain provisions that establish cash payment in lieu of health insurance to an eligible employee if the employee is not receiving the payment on or before June 30, 2009. Nothing in this section prevents an eligible employee who otherwise qualifies for payment of cash in lieu of insurance on June 30, 2009, from continuing to receive this payment.

(j) All premiums paid for health coverage provided by the board must be used by the board solely for the cost of the operation of the board and the benefit of eligible employees and eligible employers in connection with the health coverage offered by the board.

Subd. 5. **MCHA membership and assessments.** The board is a contributing member of the Minnesota Comprehensive Health Association and must pay assessments made by the association on its premium revenues, as provided in section 62E.11, subdivision 5, paragraph (b).

Subd. 6. **Report.** The board shall report to the legislature and to the commissioner of commerce by January 15, 2009, on a final design for the pool that complies with subdivision 4 and on governance requirements for the board, which may include staggered terms, term limits, quorum, and a plan of operation and audit provisions. The report must include any legislative changes necessary to ensure conformance with chapters 62A, 62J, 62M, 62Q, and 72A.

Subd. 7. **Progress dependent upon funding.** The board shall carry out its obligations to the extent permitted by financial and other resources available to the board for that purpose. The board may seek and accept gifts and grants.

Subd. 8. **Periodic evaluation.** (a) Beginning December 15, 2009, and for the next two years, the board must submit an annual report to the commissioner of commerce and the legislature, in compliance with sections 3.195 and 3.197, summarizing and evaluating the performance of the pool during the previous year of operation.

(b) Beginning in 2013 and in each odd-numbered year thereafter, the board must submit to the legislature a biennial report summarizing and evaluating the performance of the pool during the preceding two fiscal years.

Subd. 9. **Actuarial study; MCHA and tax effects.** (a) The board shall have a study prepared by a qualified actuary that estimates for the first two fiscal years of operation of the pool:

(1) the rate of assessment for losses of the comprehensive health insurance plan under section 62E.11, subdivision 5, to be paid by the pool that would provide amounts equal to the assessments that would have been paid by providers of coverage to eligible employers if the pool had not been established; and

(2) the rate of tax under section 297I.05, subdivision 5, paragraph (b), that would provide amounts equal to the premiums tax that would have been paid by providers of coverage to eligible

employers if the pool had not been established. This estimate must include the separate amounts of the tax that would have been paid under (i) section 297I.05, subdivisions 1 to 4, and (ii) section 297I.05, subdivision 5.

(b) The board shall provide the study to the commissioners of commerce and revenue by January 1, 2009.

(c) After review of the study and after making any necessary modifications or adjustments, the commissioner of commerce shall certify the rate under section 62E.11, subdivision 5, paragraph (b), clause (2), and shall notify the board and the association of the rate by March 1, 2009. The rate certified applies until modified by legislation enacted into law.

(d) After review of the study and after making any necessary modifications or adjustments, the commissioner of revenue shall certify the rate of tax under section 297I.05, subdivision 5, paragraph (b), by March 1, 2009. The rate certified applies until modified by legislation enacted into law.

Subd. 10. **Applicability of data practices laws.** The board is a government entity subject to chapter 13.

Sec. 4. Minnesota Statutes 2006, section 62E.02, subdivision 23, is amended to read:

Subd. 23. **Contributing member.** "Contributing member" means those companies regulated under chapter 62A and offering, selling, issuing, or renewing policies or contracts of accident and health insurance; health maintenance organizations regulated under chapter 62D; nonprofit health service plan corporations regulated under chapter 62C; community integrated service networks regulated under chapter 62N; fraternal benefit societies regulated under chapter 64B; the Minnesota employees insurance program established in section 43A.317, effective July 1, 1993; ~~and~~ joint self-insurance plans regulated under chapter 62H; and the Minnesota School Employee Insurance Board created under section 62A.662. For the purposes of determining liability of contributing members pursuant to section 62E.11 payments received from or on behalf of Minnesota residents for coverage by a health maintenance organization ~~or~~ a community integrated service network, or the Minnesota School Employee Insurance Board shall be considered to be accident and health insurance premiums.

Sec. 5. Minnesota Statutes 2006, section 62E.10, subdivision 1, is amended to read:

Subdivision 1. **Creation; tax exemption.** There is established a Comprehensive Health Association to promote the public health and welfare of the state of Minnesota with membership consisting of all insurers; self-insurers; fraternal; joint self-insurance plans regulated under chapter 62H; the Minnesota employees insurance program established in section 43A.317, effective July 1, 1993; the Minnesota School Employee Insurance Board created under section 62A.662; health maintenance organizations; and community integrated service networks licensed or authorized to do business in this state. The Comprehensive Health Association is exempt from the taxes imposed under chapter 297I and any other laws of this state and all property owned by the association is exempt from taxation.

Sec. 6. Minnesota Statutes 2006, section 62E.11, subdivision 5, is amended to read:

Subd. 5. **Allocation of losses.** (a) Each contributing member of the association shall share the losses due to claims expenses of the comprehensive health insurance plan for plans issued or approved for issuance by the association, and shall share in the operating and administrative

expenses incurred or estimated to be incurred by the association incident to the conduct of its affairs. Claims expenses of the state plan which exceed the premium payments allocated to the payment of benefits shall be the liability of the contributing members. Contributing members shall share in the claims expense of the state plan and operating and administrative expenses of the association in an amount equal to the ratio of the contributing member's total accident and health insurance premium, received from or on behalf of Minnesota residents as divided by the total accident and health insurance premium, received by all contributing members from or on behalf of Minnesota residents, as determined by the commissioner. Payments made by the state to a contributing member for medical assistance, MinnesotaCare, or general assistance medical care services according to chapters 256, 256B, and 256D shall be excluded when determining a contributing member's total premium.

(b) In making the allocation of losses provided in paragraph (a), the association's assessment against the Minnesota School Employee Insurance Board must equal the product of: (1) the percentage of premiums assessed against other association members; (2) the rate certified by the commissioner under section 62A.662, subdivision 9, paragraph (c); and (3) premiums received by the Minnesota School Employee Insurance Board. For purposes of this calculation, premiums of the board used must be net of rate credits and retroactive rate refunds on the same basis as the premiums of other association members.

Sec. 7. Minnesota Statutes 2006, section 2971.05, subdivision 5, is amended to read:

**Subd. 5. Health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks, and the Minnesota School Employee Insurance Board.** (a) A tax is imposed on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations. The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise, in the calendar year.

(b) A tax is imposed on the Minnesota School Employee Insurance Board under section 62A.662, to the extent the board receives amounts for coverage not otherwise subject to tax under this section. The rate of tax is equal to the percentage rate certified by the commissioner under section 62A.662, subdivision 9, paragraph (d), multiplied by the gross premiums less return premiums received in the calendar year.

(c) The commissioner shall deposit all revenues, including penalties and interest, collected under this chapter from health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund. Refunds of overpayments of tax imposed by this subdivision must be paid from the health care access fund. There is annually appropriated from the health care access fund to the commissioner the amount necessary to make any refunds of the tax imposed under this subdivision.

(d) By March 1, 2009, based on the study prepared under section 62A.662, subdivision 9, paragraph (a), the commissioner shall certify the percentage of all revenues, including penalties and interest, collected under this chapter from the Minnesota School Employee Insurance Board, that are to be deposited in the general fund and the health care access fund. The commissioner shall deposit the revenues and pay refunds of overpayments of tax imposed on the Minnesota School Employee Insurance Board based on the certified percentage. Amounts are appropriated from the respective funds to the commissioner to make any refunds of tax imposed under paragraph (b).

Sec. 8. **INITIAL MEETING.**

The commissioner of commerce shall convene the first meeting of the Minnesota School Employee Insurance Board no later than 30 days after all board members have been appointed. The board must elect a chair or cochairs from its membership at its first meeting.

Sec. 9. **APPROPRIATION.**

\$4,000,000 is appropriated in fiscal year 2008 from the general fund to the commissioner of commerce as a loan for start-up costs to the Minnesota School Employee Insurance Board. The Minnesota School Employee Insurance Board must repay the loan to the general fund in ten equal installments paid at the end of each fiscal year, beginning with the 2010 fiscal year.

Sec. 10. **EFFECTIVE DATE.**

This act is effective July 1, 2007, except that sections 6 and 7, paragraph (b), are effective July 1, 2009."

Delete the title and insert:

"A bill for an act relating to insurance; creating a statewide health insurance pool for school district employees; appropriating money; amending Minnesota Statutes 2006, sections 3.971, subdivision 6; 13.203; 62E.02, subdivision 23; 62E.10, subdivision 1; 62E.11, subdivision 5; 297I.05, subdivision 5; proposing coding for new law in Minnesota Statutes, chapter 62A."

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

House Conferees: (Signed) Anthony "Tony" Sertich, Erin Murphy, Bob Gunther

Senate Conferees: (Signed) Don Betzold, Jim Vickerman

Senator Betzold moved that the foregoing recommendations and Conference Committee Report on H.F. No. 464 be now adopted, and that the bill be repassed as amended by the Conference Committee.

### CALL OF THE SENATE

Senator Betzold imposed a call of the Senate for the balance of the proceedings on H.F. No. 464. The Sergeant at Arms was instructed to bring in the absent members.

Senator Hann moved that the recommendations and Conference Committee Report on H.F. No. 464 be rejected, the Conference Committee discharged, and that a new Conference Committee be appointed by the Subcommittee on Conference Committees to act with a like Conference Committee appointed on the part of the House.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 28 and nays 38, as follows:

Those who voted in the affirmative were:

Bonoff  
Dille

Fischbach  
Gerlach

Gimse  
Hann

Ingebrigtsen  
Johnson

Jungbauer  
Koch

Koering	Michel	Pariseau	Senjem	Wergin
Latz	Neuville	Robling	Sheran	Wiger
Limmer	Olson, G.	Rosen	Skoe	
Lynch	Ortman	Saltzman	Vandev eer	

Those who voted in the negative were:

Anderson	Day	Langseth	Olson, M.	Sieben
Bakk	Dibble	Larson	Pappas	Skogen
Berglin	Doll	Lourey	Pogemiller	Sparks
Betzold	Erickson Ropes	Marty	Prettner Solon	Tomassoni
Carlson	Foley	Metzen	Rest	Torres Ray
Chaudhary	Frederickson	Moua	Rummel	Vickerman
Clark	Higgins	Murphy	Saxhaug	
Cohen	Kubly	Olseen	Scheid	

The motion did not prevail.

The question recurred on the motion of Senator Betzold that the foregoing recommendations and Conference Committee Report on H.F. No. 464 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. 464 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 43 and nays 23, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Koering	Olseen	Senjem
Bakk	Dille	Kubly	Olson, M.	Sieben
Berglin	Doll	Langseth	Pappas	Skogen
Betzold	Erickson Ropes	Larson	Pogemiller	Sparks
Carlson	Foley	Lourey	Prettner Solon	Tomassoni
Chaudhary	Frederickson	Marty	Rest	Torres Ray
Clark	Gimse	Metzen	Rosen	Vickerman
Cohen	Higgins	Moua	Saxhaug	
Day	Jungbauer	Murphy	Scheid	

Those who voted in the negative were:

Bonoff	Johnson	Michel	Robling	Vandev eer
Fischbach	Koch	Neuville	Rummel	Wergin
Gerlach	Latz	Olson, G.	Saltzman	Wiger
Hann	Limmer	Ortman	Sheran	
Ingebrigtsen	Lynch	Pariseau	Skoe	

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

### RECESS

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

**CALL OF THE SENATE**

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

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Pogemiller moved that H.F. No. 2245 be taken from the table. The motion prevailed.

**H.F. No. 2245:** A bill for an act relating to education; increasing the basic revenue formula allowance; modifying general education aid; amending Minnesota Statutes 2006, sections 126C.10, subdivision 2; 126C.13, subdivision 4.

Senator Clark moved to amend H.F. No. 2245, the second unofficial engrossment, as follows:

Page 5, line 18, delete "0.627" and insert "0.612"

Page 5, delete section 6

Page 6, line 8, after "\$4,974" insert ". The formula allowance for fiscal year 2008 is \$5,074"

Page 6, line 9, delete "2008" and insert "2009" and delete "\$5,075" and insert "\$5,124"

Page 6, line 13, delete "\$13" and insert "\$12"

Page 7, line 28, reinstate "later" and delete "2008"

Page 7, line 30, strike "73.1" and insert "65"

Page 8, line 6, reinstate "and later" and delete the new language

Page 8, line 7, delete the new language

Page 8, delete sections 11 and 12

Page 8, before line 27, insert:

"Sec. 11. Minnesota Statutes 2006, section 126C.126, is amended to read:

**126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN AND PREKINDERGARTEN.**

(a) In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07.

(b) A school district may spend general education revenue on extended time kindergarten and prekindergarten programs."

Page 8, line 28, strike "(a)"

Page 9, line 5, reinstate "later" and delete "2008"

Page 9, delete lines 16 to 25

- Page 11, line 15, after "purposes" insert ", excluding amounts spent under this section,"
- Page 15, line 3, delete everything after "year"
- Page 15, delete line 4
- Page 15, line 5, delete everything before the semicolon
- Page 16, line 11, delete everything after "year"
- Page 16, delete line 12
- Page 16, line 13, delete everything before the semicolon
- Page 18, delete section 26
- Page 19, delete section 27
- Page 19, line 23, delete "5,581,605,000" and insert "5,618,342,000"
- Page 19, line 24, delete "5,506,993,000" and insert "5,618,342,000"
- Page 19, line 25, delete "\$5,049,872,000" and insert "\$5,073,250,000"
- Page 19, line 27, delete "\$546,980,000" and insert "\$546,314,000" and delete "\$4,960,013,000" and insert "\$5,072,028,000"
- Page 20, line 20, delete "16,292,000" and insert "16,290,000"
- Page 20, line 21, delete "16,555,000" and insert "16,620,000"
- Page 20, line 22, delete "\$14,686,000" and insert "\$14,684,000"
- Page 20, line 23, delete "\$14,924,000" and insert "\$14,989,000"
- Page 20, line 26, delete "21,557,000" and insert "21,551,000"
- Page 20, line 27, delete "21,163,000" and insert "21,392,000"
- Page 20, line 28, delete "\$19,433,000" and insert "\$19,427,000"
- Page 20, line 29, delete "\$2,159,000" and insert "\$2,158,000" and delete "\$19,004,000" and insert "\$19,234,000"
- Page 22, delete lines 6 to 7
- Page 22, line 8, delete "(c)" and insert "(b)"
- Page 26, after line 12, insert:
- "Sec. 5. Minnesota Statutes 2006, section 120B.024, is amended to read:
- 120B.024 GRADUATION REQUIREMENTS; COURSE CREDITS.**
- (a) Students beginning 9th grade in the 2004-2005 school year and later must successfully complete the following high school level course credits for graduation:

- (1) four credits of language arts;
- (2) three credits of mathematics, encompassing at least algebra, geometry, statistics, and probability sufficient to satisfy the academic standard;
- (3) three credits of science, including at least one credit in biology;
- (4) three and one-half credits of social studies, encompassing at least United States history, geography, government and citizenship, world history, and economics or three credits of social studies encompassing at least United States history, geography, government and citizenship, and world history, and one-half credit of economics taught in a school's social studies, agriculture education, or business department;
- (5) one credit in the arts; and
- (6) a minimum of seven elective course credits.

A course credit is equivalent to a student successfully completing an academic year of study or a student mastering the applicable subject matter, as determined by the local school district.

(b) An agriculture science course may fulfill a science credit requirement in addition to the specified science credits in biology and chemistry or physics under paragraph (a), clause (3).

(c) A career and technical education course may fulfill a science, mathematics, or arts credit requirement in addition to the specified science, mathematics, or arts credits under paragraph (a), clause (2), (3), or (5)."

Page 35, delete section 11

Page 39, delete section 13

Page 40, delete sections 14 and 15

Page 51, after line 29, insert:

"Sec. 27. Minnesota Statutes 2006, section 124D.66, subdivision 3, is amended to read:

**Subd. 3. Eligible services.** (a) Assurance of mastery programs may provide direct scientific, research-based instructional services and intervention to an eligible pupil, or a group of eligible pupils, under the following conditions in paragraphs (b) to (d).

(b) Instruction may be provided at one or more grade levels from kindergarten to grade 8 and for students in grades 9 through 12 who were enrolled in grade 8 before the 2005-2006 school year and have failed the basic skills tests, or were enrolled in grade 8 in the 2005-2006 school year and later and who have failed the Minnesota Comprehensive Assessments (MCA-II) in reading, mathematics, or writing as required for high school graduation under section 120B.02. If an assessment of pupils' needs within a district demonstrates that the eligible pupils in grades kindergarten to grade 8 are being appropriately served, a district may serve eligible pupils in grades 9 to 12.

(c) Instruction must be provided under the supervision of the eligible pupil's regular classroom teacher. Instruction may be provided by the eligible pupil's classroom teacher, by another teacher, by a team of teachers, or by an education assistant or aide. A special education teacher may provide

instruction, but instruction that is provided under this section is not eligible for aid under section 125A.76.

(d) The instruction that is provided must differ from the initial instruction the pupil received in the regular classroom setting. The instruction may differ by presenting different curriculum than was initially presented in the regular classroom or by presenting the same curriculum:

- (1) at a different rate or in a different sequence than it was initially presented;
- (2) using different teaching methods or techniques than were used initially; or
- (3) using different instructional materials than were used initially."

Page 52, lines 10 to 16, reinstate the stricken language

Page 52, lines 18 to 21, delete the new language

Page 52, after line 28, insert:

"Sec. 29. [124D.8955] PARENT AND FAMILY INVOLVEMENT POLICY.

(a) In order to promote and support student achievement, a local school board is encouraged to formally adopt and implement a parent and family involvement policy that promotes and supports:

- (1) communication between home and school that is regular, two-way, and meaningful;
- (2) parenting skills;
- (3) parents and caregivers who play an integral role in assisting student learning and learn about fostering students' academic success and learning at home and school;
- (4) welcoming parents in the school and seeking their support and assistance;
- (5) partnerships with parents in the decisions that affect children and families in the schools; and
- (6) providing community resources to strengthen schools, families, and student learning.

(b) A school board that implements a parent and family involvement policy under paragraph (a) must convene an advisory committee composed of an equal number of resident parents who are not district employees and school staff to make recommendations to the board on developing and evaluating the board's parent and family involvement policy. If possible, the advisory committee must represent the diversity of the district. The advisory committee must consider the district's demographic diversity and barriers to parent involvement when developing its recommendations. The advisory committee must present its recommendations to the board for board consideration.

(c) The board must consider best practices when implementing this policy.

(d) The board periodically must review this policy to determine whether it is aligned with the most current research findings on parent involvement policies and practices and how effective the policy is in supporting increased student achievement.

(e) Nothing in this section obligates a school district to exceed any parent or family involvement requirement under federal law.

**EFFECTIVE DATE.** This section is effective for the 2008-2009 school year and later.

Sec. 30. Minnesota Statutes 2006, section 125A.50, is amended to read:

**125A.50 ALTERNATIVE DELIVERY OF SPECIALIZED INSTRUCTIONAL SERVICES.**

Subdivision 1. **Commissioner approval.** The commissioner may approve applications from districts initiating or significantly changing a program to provide prevention services as an alternative to special education and other compensatory programs. A district with an approved program may provide instruction and services in a regular education classroom, or an area learning center, to eligible pupils. Pupils eligible to participate in the program are ~~low-performing pupils who, based on documented experience, the professional judgment of a classroom teacher, or a team of licensed professionals, would need additional academic or behavioral support to succeed in the general education environment~~ and who may eventually qualify for special education instruction or related services under sections 125A.03 to 125A.24 and 125A.65 if the intervention services authorized by this section were unavailable. Pupils may be provided services during extended school days and throughout the entire year and through the assurance of mastery program under sections 125A.03 to 125A.24 and 125A.65.

Subd. 2. **Application contents.** The application must set forth:

(1) instructional services available to eligible pupils under section 124D.66, subdivision 2, and pupils with a disability under section 125A.02;

(2) criteria to select pupils for the program and the assessment procedures to determine eligibility;

(3) involvement in the program of parents of pupils in the program, parent advocates, and community special education advocates;

(4) accounting procedures to document that federal special education money is used to supplement or increase the level of special education instruction and related services provided with state and local revenue, but in no case to supplant the state and local revenue, and that districts are expending at least the amount for special education instruction and related services required by federal law;

(5) the role of ~~regular general~~ regular general and special education teachers in planning and implementing, and evaluating the program; and

(6) an annual budget detailing program expenditures; and

(7) other information requested by the commissioner.

Subd. 3. **Evaluation.** The application must also set forth the review and evaluation procedures to be used by the district addressing at least the following:

(1) the number of pupils with and without a disability served;

(2) the impact of the program on the academic and behavioral progress ~~and social adjustment~~ of the pupils;

- (3) the level of satisfaction teachers, parents, and pupils have with the program;
- (4) the effect of the program on the number of referrals for special education, federal ~~chapter~~ Title 1, and other programs; and
- ~~(5) the amount of time spent by teachers on procedural activities;~~
- ~~(6) the increased amount of time the pupil is in a regular education classroom; and~~
- ~~(7) cost implications.~~

Subd. 4. **Budget review for excess expenditures and approval.** (a) Each year before a district receives aid under section 125A.78, the district must submit to the commissioner for review and approval a budget detailing program expenditures for the fiscal year. The commissioner must ~~review each application to~~ determine whether the personnel, equipment, supplies, ~~residential aid,~~ and ~~summer~~ extended school year are necessary to meet the district's obligation to provide special instruction and services to children with a disability according to sections 125A.03 to 125A.24 and 125A.65. The commissioner may not approve revenue for any expenditures determined to be unnecessary.

(b) The commissioner must not approve budget increases under this section that would cause the state to fail to meet maintenance of effort requirements under federal special education law. The commissioner must establish criteria for prioritizing and approving budget increases, which may include criteria such as maintaining current programs, locating programs throughout the state, and developing innovative programs.

Subd. 5. **Annual report.** Each year the district must submit to the commissioner a report containing the information described in subdivision 3.

Subd. 6. **Pupil rights.** A pupil participating in the program must be individually evaluated according to the pupil's actual abilities and needs. A pupil who is eligible for services under sections 125A.03 to 125A.24 and 125A.65 is entitled to procedural protections provided under United States Code, title 20, section 33, in any matter that affects the identification, evaluation, placement, or change in placement of a pupil. The district must ensure the protection of a pupil's civil rights, provide equal educational opportunities, and prohibit discrimination. Failure to comply with this subdivision will at least cause a district to become ineligible to participate in the program. Notwithstanding rules of the Department of Education, the commissioner cannot waive a pupil's rights under this section cannot be waived by the commissioner.

Sec. 31. Minnesota Statutes 2006, section 125A.56, is amended to read:

**125A.56 ALTERNATE INSTRUCTION REQUIRED BEFORE ASSESSMENT REFERRAL; WAIVER.**

Subdivision 1. Requirement. (a) Before a pupil is referred for a special education ~~assessment~~ evaluation, the district must conduct and document at least two instructional strategies, alternatives, or interventions using a system of scientific, research-based instruction and intervention in academics or behavior, based on the pupil's needs, while the pupil is in the regular classroom. The pupil's teacher must ~~provide the documentation~~ document the results. A special education ~~assessment~~ evaluation team may waive this requirement when ~~they determine~~ it determines the pupil's need for the ~~assessment~~ evaluation is urgent. This section may not be used to deny a pupil's

right to a special education ~~assessment~~ evaluation.

(b) A school district shall use alternative intervention services, including the assurance of mastery program under section 124D.66 ~~and~~, the supplemental early education program under section 124D.081, or an early intervening services program under subdivision 2 to serve at-risk ~~students~~ pupils who demonstrate a need for alternative instructional strategies or interventions.

**Subd. 2. Early intervening services program.** (a) A district may meet the requirement under subdivision 1 by establishing an early intervening services program that includes:

(1) a system of valid and reliable general outcome measures aligned to state academic standards that is administered at least three times per year to pupils in kindergarten through grade 8 who need additional academic or behavioral support to succeed in the general education environment. The school must provide interim assessments that measure pupils' performance three times per year and implement progress monitoring appropriate to the pupil. For purposes of this section, "progress monitoring" means the frequent and continuous measurement of a pupil's performance that includes these three interim assessments and other pupil assessments during the school year. A school, at its discretion, may allow pupils in grades 9 through 12 to participate in interim assessments;

(2) a system of scientific, research-based instruction and intervention; and

(3) an organizational plan that allows teachers, paraprofessionals, and volunteers funded through various sources to work as a grade-level team or use another configuration across grades and settings to deliver instruction. The team must be trained in scientific, research-based instruction and intervention. Teachers and paraprofessionals at a site operating under this paragraph must work collaboratively with those pupils who need additional academic or behavioral support to succeed in a general education environment.

(b) As an intervention under paragraph (a), clause (2), staff generating special education aid under section 125A.76 may provide small group instruction to pupils who need additional academic or behavioral support to succeed in the general education environment. Small group instruction that includes pupils with a disability may be provided in the general education environment if the needs of the pupils with a disability are met, consistent with their individual education plans, and all pupils in the group receive the same level of instruction and make the same progress in the instruction or intervention. Teachers and paraprofessionals must ensure that the needs of pupils with a disability participating in small group instruction under this paragraph remain the focus of the instruction. Expenditures attributable to the time special education staff spends providing instruction to nondisabled pupils in this circumstance is eligible for special education aid under section 125A.76 as an incidental benefit if:

(1) the group consists primarily of disabled pupils;

(2) no special education staff are added to meet nondisabled pupils' needs; and

(3) the primary purpose of the instruction is to implement the individual education plans of pupils with a disability in this group.

Expenditures attributable to the time special education staff spends providing small group instruction to nondisabled pupils that affords more than an incidental benefit to such pupils is not eligible for special education aid under section 125A.76, except that such expenditures may be included in the alternative delivery initial aid adjustment under section 125A.78 if the district

has an approved program under section 125A.50. During each 60-day period that a nondisabled pupil participates in small group instruction under this paragraph, the pupil's progress monitoring data must be examined to determine whether the pupil is making progress and, if the pupil is not making progress, the pupil's intervention strategies must be changed or the pupil must be referred for a special education evaluation."

Page 54, lines 26 and 27, delete the new language and insert "Notwithstanding the two-year limit under Minnesota Statutes, section 14.388, subdivision 1, clause (2), the expired Minnesota Rules 2005, part 3512.5400, governing supplemental education service providers is revived and readopted without further administrative action. The commissioner of education, as soon as possible, must amend this rule under Minnesota Statutes 2006, section 14.389, to include"

Page 54, line 30, delete "also"

Page 55, delete line 7 and insert:

**"EFFECTIVE DATE.** This section is effective retroactive to September 15, 2005."

Page 56, line 23, delete "year 2009" and insert "years 2008 and 2009"

Page 58, line 3, delete "The advisory group, at its"

Page 58, delete lines 4 and 5

Page 58, line 15, delete "the director of"

Page 58, line 16, delete "evaluation and testing at" and insert "two employees from" and after "Education" insert "selected by the commissioner"

Page 60, line 9, after the period, insert "Bemidji State University must provide office space at no cost to the Minnesota Office of Higher Education for purposes of administering the American Indian scholarship program under Minnesota Statutes, section 124D.84."

Page 61, delete lines 6 to 13

Page 61, line 14, delete "(d)" and insert "(c)"

Page 63, line 23, delete "2,409,000" and insert "2,422,000"

Page 63, line 25, delete "\$2,183,000" and insert "\$2,196,000"

Page 64, line 1, delete "10,150,000" and insert "15,150,000"

Page 64, line 2, delete "10,150,000" and insert "15,150,000"

Page 64, line 32, after the first "for" insert "other"

Page 65, line 5, delete "2,000,000" and insert "6,500,000"

Page 65, line 6, delete "2,000,000" and insert "6,500,000"

Page 65, line 7, delete "\$700,000" and insert "\$2,500,000"

Page 65, after line 9, insert:

"The base appropriation for fiscal year 2010 and later is \$2,000,000."

Page 65, line 29, delete "1,000,000" and insert "1,500,000"

Page 65, line 30, delete "1,000,000" and insert "1,500,000"

Page 65, line 31, delete "\$500,000" and insert "\$1,000,000"

Page 66, line 5, after the period, insert "The base appropriation for fiscal year 2010 and later is \$1,000,000."

Page 67, delete subdivision 22

Page 68, after line 16, insert:

"Subd. 26. **Statewide science, technology, engineering, and math initiative.** For a grant to the Science Museum of Minnesota for the statewide science, technology, engineering, and math initiative:

<u>\$</u>	<u>1,500,000</u>	<u>.....</u>	<u>2008</u>
<u>\$</u>	<u>1,500,000</u>	<u>.....</u>	<u>2009</u>

Of this amount, \$750,000 each year is available for the teacher resource center and other related programs and \$750,000 each year is available for the expansion and support of the middle school math and science initiative, including teacher workshops and expanded outreach programs in classrooms. This grant includes funding for an evaluation of the programs by an entity approved by the Department of Education.

This is a onetime appropriation."

Page 68, line 25, delete "; 121A.23;"

Page 74, line 24, strike "general education revenue and referendum aid"

Page 81, line 7, delete "\$709,698,000" and insert "\$694,063,000"

Page 81, line 8, delete "\$742,334,000" and insert "\$719,470,000" and delete "\$778,780,000" and insert "\$735,693,000"

Page 81, line 9, delete "\$817,167,000" and insert "\$786,586,000"

Page 83, after line 14, insert:

"**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008."

Page 84, after line 4, insert:

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

Page 84, line 17, delete "\$122,586,000" and insert "\$110,641,000" and delete "\$125,302,000" and insert "\$110,918,000"

Page 84, line 18, delete "\$125,477,000" and insert "\$110,847,000" and delete "\$125,858,000" and insert "\$110,892,000"

Page 89, line 6, delete "691,653,000" and insert "677,622,000"

Page 89, line 7, delete "739,070,000" and insert "716,929,000"

Page 89, line 8, delete "\$638,688,000" and insert "\$624,657,000"

Page 89, line 9, delete "\$70,965,000" and insert "\$69,406,000" and delete "\$668,105,000" and insert "\$647,523,000"

Page 89, line 25, delete "116,612,000" and insert "108,656,000"

Page 89, line 26, delete "124,395,000" and insert "110,826,000"

Page 89, line 27, delete "\$81,643,000" and insert "\$73,687,000"

Page 89, line 28, delete "\$40,943,000" and insert "\$36,954,000" and delete "\$83,452,000" and insert "\$73,872,000"

Page 99, line 23, delete "\$87" and insert "\$40 for fiscal year 2008 and \$55 for fiscal year 2009"

Page 99, delete line 26 and insert:

**EFFECTIVE DATE.** This section is effective for revenue for fiscal years 2008 and 2009."

Page 100, line 30, delete "beginning with revenue"

Page 102, line 17, delete "82,965,000" and insert "38,145,000"

Page 102, line 18, delete "82,734,000" and insert "52,676,000"

Page 105, line 4, after "under" insert "Laws 2005, First Special Session chapter 5, article 1," and after "50" insert a comma

Page 105, line 9, after the period, insert "The money reallocated under this paragraph must be spent for the purposes listed in subdivision 1, but may be spent on students in any grade, including students attending school readiness or other prekindergarten programs."

Page 109, after line 27, insert:

"Sec. 2. Minnesota Statutes 2006, section 134.34, subdivision 4, is amended to read:

Subd. 4. **Limitation.** A regional library basic system support grant shall not be made to a regional public library system for a participating city or county which decreases the dollar amount provided for support for operating purposes of public library service below the amount provided by it for the second preceding year. For purposes of this subdivision and subdivision 1, any funds provided under section 473.757, subdivision 2, for extending library hours of operation shall not be considered amounts provided by a city or county for support for operating purposes of public library service. This subdivision shall not apply to participating cities or counties where the adjusted net tax capacity of that city or county has decreased, if the dollar amount of the reduction in support is not greater than the dollar amount by which support would be decreased if the reduction in support were made in direct proportion to the decrease in adjusted net tax capacity.

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

Page 112, line 25, after the period, insert "If the department expends federal funds to employ a hearing loss coordinator under Minnesota Statutes, section 125.63, subdivision 5, then the appropriation under this paragraph is reallocated for purposes of employing a world languages coordinator."

Page 128, line 33, before "By" insert "(a)"

Page 129, after line 7, insert:

"(b) Notwithstanding paragraph (a), for fiscal year 2009 only, the commissioner shall establish a tax rate for early education revenue that raises \$13,565,000."

Page 132, line 28, delete "21,888,000" and insert "29,601,000"

Page 132, line 30, delete "\$19,743,000" and insert "\$27,456,000"

Page 133, after line 12, insert:

"Any funds unexpended in fiscal year 2008 do not cancel and are available in fiscal year 2009."

Page 133, after line 17, insert:

"Any funds unexpended in fiscal year 2008 do not cancel and are available in fiscal year 2009."

Renumber the sections and subdivisions in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

### CALL OF THE SENATE

Senator Clark imposed a call of the Senate for the balance of the proceedings on H.F. No. 2245. The Sergeant at Arms was instructed to bring in the absent members.

Senator Wergin moved to amend H.F. No. 2245, the second unofficial engrossment, as follows:

Page 101, after line 5, insert:

"Sec. 16. **LEASE LEVY USE.**

(a) Notwithstanding Minnesota Statutes, section 126C.40, subdivision 6, if approved by the commissioner of education, Independent School District No. 728, Elk River, may use its lease authority under Minnesota Statutes, section 126C.40, subdivision 1, to construct additions to existing buildings used primarily for kindergarten, elementary, or secondary instruction.

(b) Notwithstanding Minnesota Statutes, section 126C.40, subdivision 1, paragraph (e), Independent School District No. 728, Elk River, may levy up to \$136 times the resident pupil units for the fiscal year to which the levy is attributable.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Senator Limmer moved to amend the Clark amendment to H.F. No. 2245, the second unofficial engrossment, adopted by the Senate May 21, 2007, as follows:

Page 3, after line 34, insert:

"A parent or guardian must provide prior, informed, written consent before a student is enrolled in any behavioral or intervention programs in this section."

Page 6, after line 5, insert:

"A parent or guardian must provide prior, informed, written consent before a student is enrolled in any behavioral or intervention programs in this section."

Page 7, after line 9, insert:

"A parent or guardian must provide prior, informed, written consent before a student is enrolled in any behavioral or intervention programs in this section."

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 21 and nays 41, as follows:

Those who voted in the affirmative were:

Day	Hann	Koering	Pariseau	Wergin
Dille	Ingebrigtsen	Limmer	Robling	
Fischbach	Johnson	Michel	Rosen	
Gerlach	Jungbauer	Neuville	Senjem	
Gimse	Koch	Ortman	Vandevveer	

Those who voted in the negative were:

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

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

Senator Olson, G. moved to amend the Clark amendment to H.F. No. 2245, the second unofficial engrossment, adopted by the Senate May 21, 2007, as follows:

Page 1, delete line 11

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

H.F. No. 2245 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 51 and nays 15, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Day	Hann	Michel	Ortman	Senjem
Frederickson	Ingebrigtsen	Neuville	Pariseau	Vanderveer
Gerlach	Johnson	Olson, G.	Rosen	Wergin

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Pogemiller moved that H.F. No. 548 be taken from the table. The motion prevailed.

**H.F. No. 548:** A bill for an act relating to state government; requiring state agencies to consider former employees before contracting out previously eliminated jobs; amending Minnesota Statutes 2006, section 16C.08, subdivision 2.

Senator Betzold moved to amend H.F. No. 548, the second unofficial engrossment, as follows:

Page 2, line 13, delete "357,713,000" and insert "351,093,000" and delete "319,107,000" and insert "318,435,000" and delete "676,820,000" and insert "669,528,000"

Page 2, line 23, delete "379,017,000" and insert "372,397,000" and delete "337,213,000" and insert "336,541,000" and delete "716,230,000" and insert "708,938,000"

Page 2, line 37, delete "76,494,000" and insert "74,694,000"

Page 3, line 3, delete "76,316,000" and insert "74,516,000"

Page 3, line 8, delete "26,320,000" and insert "25,820,000"

Page 3, after line 8, insert:

"The base budget for the Senate shall be \$23,427,000 in fiscal year 2010 and \$23,427,000 in fiscal year 2011."

Page 3, line 9, delete "33,168,000" and insert "32,686,000"

Page 3, after line 9, insert:

"The base budget for the house of

representatives shall be \$31,496,000 in fiscal year 2010 and \$31,496,000 in fiscal year 2011."

Page 3, line 15, delete "16,988,000" and insert "16,188,000"

Page 3, line 17, delete "16,810,000" and insert "16,010,000"

Page 3, after line 18, insert:

"The base general fund budget for the Legislative Coordinating Commission shall be \$15,893,000 in fiscal year 2010 and \$15,893,000 in fiscal year 2011."

Page 3, line 28, delete "\$750,000" and insert "\$250,000"

Page 5, line 23, delete "26,182,000" and insert "26,162,000" and delete "27,113,000" and insert "27,093,000"

Page 5, line 26, delete "24,068,000" and insert "24,048,000" and delete "24,994,000" and insert "24,974,000"

Page 5, line 31, delete "9,029,000" and insert "9,019,000" and delete "6,517,000" and insert "6,497,000"

Page 6, line 1, delete "6,185,000" and insert "6,175,000" and delete "6,517,000" and insert "6,497,000"

Page 6, line 25, delete "10,943,000" and insert "16,445,000" and delete "7,739,000" and insert "7,829,000"

Page 6, line 26, delete "\$2,000,000" and insert "\$7,500,000"

Page 6, line 31, delete "\$3,910,000" and insert "\$4,000,000" and delete "\$3,910,000" and insert "\$4,000,000"

Page 7, lines 1 and 2, delete "\$2,682,000" and insert "\$2,500,000"

Page 7, delete lines 13 to 14

Page 7, line 15, delete "(e) \$200,000" and insert "(d) \$180,000"

Page 8, line 10, delete "\$600,000" and insert "\$540,000"

Page 8, after line 23, insert:

"(e) By June 30, 2010, and June 30, 2011, the commissioner of finance, in consultation with the chief information officer, must determine the savings attributable to implementing the electronic licensing system in paragraph (a) and the information technology security improvements provided for in paragraph (b)

in fiscal year 2010 and 2011, respectively. The savings are estimated to be \$2,551,000 for the biennium. The commissioner must deposit the amount determined for each year in the general fund."

Page 8, line 31, delete "42,220,000" and insert "36,874,000" and delete "22,128,000" and insert "21,723,000"

Page 9, after line 10, insert:

"By June 30, 2010, and June 30, 2011, the commissioner of finance, in consultation with the commissioner of administration, must determine the savings attributable to implementing the real property portfolio management system in fiscal year 2010 and 2011, respectively. The savings are estimated to be \$412,000 for the biennium. The commissioner must deposit the amount determined for each year in the general fund."

Page 9, line 14, delete "3,456,000" and insert "3,235,000" and delete "3,547,000" and insert "3,342,000"

Page 9, line 20, delete "\$1,100,000" and insert "\$889,000" and delete "\$1,100,000" and insert "\$895,000"

Page 9, line 26, delete "\$89,000" and insert "\$79,000"

Page 9, line 29, delete "6,197,000" and insert "5,672,000" and delete "5,418,000" and insert "5,218,000"

Page 10, line 16, delete "\$700,000" and insert "\$500,000"

Page 10, line 31, delete "\$250,000" and insert "\$140,000" and delete "\$250,000" and insert "\$140,000"

Page 11, delete lines 20 to 23

Page 11, line 24, delete "1,000,000" and insert "500,000"

Page 11, line 25, delete "\$1,000,000" and insert "\$500,000"

Page 11, line 32, delete "17,071,000" and insert "12,971,000"

Page 11, line 33, delete "\$9,750,000" and insert "\$6,650,000"

Page 12, line 11, delete "\$3,000,000" and insert "\$2,000,000"

Page 12, line 14, delete "\$2,263,000" and insert "\$2,461,000" and delete "\$963,000" and insert "\$1,161,000"

Page 12, line 17, delete "\$398,000" and insert "\$200,000" and delete "\$398,000" and insert "\$200,000"

Page 13, line 21, delete "21,765,000" and insert "15,796,000"

Page 13, line 25, delete "8,923,000" and insert "8,773,000"

Page 13, line 26, delete "\$250,000" and insert "\$100,000"

Page 13, line 32, delete "12,842,000" and insert "7,023,000"

Page 14, line 1, delete "\$6,319,000" and insert "\$500,000"

Page 14, line 4, delete "5,895,000" and insert "5,545,000" and delete "5,839,000" and insert "5,589,000"

Page 14, delete lines 5 to 7

Page 14, line 9, delete "127,970,000" and insert "129,420,000"

Page 14, line 12, delete "123,841,000" and insert "125,291,000"

Page 14, line 19, delete "107,648,000" and insert "109,098,000"

Page 14, line 21, delete "103,519,000" and insert "104,969,000"

Page 15, line 21, delete "\$10,550,000" and insert "\$12,000,000"

Page 15, after line 23, insert:

"By June 30, 2010, and June 30, 2011, the commissioner of finance, in consultation with the commissioner of revenue, must determine the savings attributable to implementing the integrated tax software package in fiscal year 2010 and 2011, respectively. The savings are estimated to be \$1,975,000 for the biennium. The commissioner must deposit the amount determined for each year in the general fund."

Page 18, line 14, delete "370,000" and insert "303,000" and delete "372,000" and insert "305,000"

Page 18, line 15, delete everything after "(a)"

Page 18, delete lines 16 to 17

Page 18, line 32, delete "664,000" and insert "654,000"

Page 19, line 9, delete "\$100,000" and insert "\$90,000"

Page 20, delete section 31 and insert:

"Sec. 31. CARRYFORWARD AUTHORIZATION FOR TECHNOLOGY.

With the approval of the commissioner of finance, agencies may carry forward up to \$5,756,000 of unexpended and unencumbered nongrant operating balances from fiscal year 2007 to fiscal year 2008. Money carried forward under this section must be deposited in accounts in the special revenue fund. Money in the accounts created under this section is appropriated to the commissioner of finance in fiscal year 2008 for onetime costs associated with technology infrastructure and technology systems development projects. The commissioner of finance must report to the legislative committees with jurisdiction over finance regarding the use of the authority provided in this section, including a report on July 15, 2007, regarding the money carried forward under this section and a report on July 15, 2008, and July 15, 2009, regarding the uses of the money."

Page 29, delete section 20

Page 43, delete section 45

Page 44, delete section 47

Page 66, line 5, delete "shall" and insert "may"

Page 66, line 7, delete everything after the period

Page 66, delete lines 8 to 10

Page 66, delete lines 15 to 16

Page 66, line 17, delete everything before "The"

Page 66, delete section 82

Page 70, after line 5, insert:

**"Sec. 86. FINANCING OF ELECTRONIC LICENSING SYSTEM.**

The state chief information officer shall study the feasibility of alternative financing options for the purpose of developing and maintaining an electronic system for business and occupational licenses. The chief information officer must report the results of the study to the chairs of the senate State Government Budget Division and the house of representatives State Government Finance Division by January 15, 2008."

Page 70, line 15, delete "16B.055,"

Page 70, line 16, delete "subdivisions 2 and 3;"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No. 548 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 65 and nays 1, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Gerlach

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Pogemiller moved that H.F. No. 1078 be taken from the table. The motion prevailed.

**H.F. No. 1078:** A bill for an act relating to health; modifying the hospital public interest review; modifying the alternative approval process; amending Minnesota Statutes 2006, sections 144.50, by adding subdivisions; 144.552; 144.553, subdivision 3; 144.699, by adding a subdivision.

Senator Berglin moved to amend H.F. No. 1078, the second unofficial engrossment, as follows:

Page 58, delete section 6

Page 60, delete lines 1 to 4

Page 67, delete section 14

Page 69, line 17, delete "This paragraph"

Page 69, delete line 18

Page 74, delete section 24

Page 77, line 18, delete "July 1, 2007" and insert "February 1, 2008"

Page 78, line 21, reinstate the stricken "up to a loan value of less than or equal to"

Page 78, line 23, before the period, insert "\$15,000"

Page 83, delete section 33

Page 96, line 1, delete "\$100" and insert "\$75"

Page 99, lines 20 and 21, delete the new language

Page 99, line 23, delete the new language

Page 99, delete lines 24 to 29

Page 116, line 29, before "and" insert "256J.29;"

Page 116, delete lines 31 and 32

Page 117, line 1, delete "(c)" and insert "(b)"

Page 117, line 3, delete "(d)" and insert "(c)"

Page 117, line 4, delete "(e)" and insert "(d)"

Page 117, after line 4, insert:

"Sec. 63. **EFFECTIVE DATE.**

Section 26 (Minnesota Statutes, section 256J.20, subdivision 3) is effective January 1, 2008.  
Section 13 (Minnesota Statutes, section 119B.13, subdivision 7) is effective January 1, 2009."

Page 119, lines 31 and 32, reinstate the stricken language

Page 119, line 33, reinstate the stricken "also charge a"

Page 120, line 20, delete "until December 31, 2007,"

Page 121, line 26, delete "until December 31, 2007,"

Page 122, line 8, delete "until January 1, 2008,"

Page 122, delete lines 30 to 36

Page 123, line 1, delete "(f)" and insert "(e)"

Page 123, line 3, delete ", and beginning January 1,"

Page 123, line 4, delete "2008, a family child care license"

Page 123, line 9, delete "(g)" and insert "(f)"

Page 123, line 13, delete "(h)" and insert "(g)"

Page 124, line 6, delete "and beginning January 1, 2008, for studies related to family child care,"

Page 124, line 16, delete ", and beginning January 1, 2008,"

Page 124, line 17, delete everything before the period

Page 125, line 29, delete the new language

Page 126, line 26, delete "until January 1, 2008,"

Page 129, line 9, delete everything after "care"

Page 129, line 10, delete "care"

Page 129, line 16, delete "and"

Page 129, line 17, delete everything before the first "the"

Page 130, line 13, delete everything after the comma

Page 130, line 14, delete everything before the first "the"

Page 141, delete section 33

Page 148, line 31, after "commissioner" insert ", within the available appropriation," and delete "\$25" and insert "\$20"

Page 149, delete subdivision 8

Page 150, delete section 4

Page 155, line 17, strike the second "and"

Page 155, line 22 strike the period and insert "; and"

Page 155, after line 22, insert:

"(4) in addition to any payments under clauses (1) to (3), for a hospital located in Minnesota and not eligible for payments under subdivision 20 with a medical assistance inpatient utilization rate of 17.95 percent of total patient days as of the base year in effect on July 1, 2005, a payment equal to eight percent of the total of the operating and property payment rates, and for a hospital located in Minnesota and not eligible for payments under subdivision 20 with a medical assistance inpatient utilization rate of 59.6 percent of total patient days as of the base year in effect on July 1, 2005, a payment equal to nine percent of the total of the operating and property payment rates. After making any ratable adjustments required under paragraph (b), the commissioner shall proportionately reduce payments under clauses (2) and (3) by an amount needed to make payments under this clause."

Page 156, delete section 7

Page 159, delete section 12

Page 159, lines 15 and 28, delete "2008" and insert "2009"

Page 160, lines 6 and 12, delete "2008" and insert "2009"

Page 162, delete section 17

Page 173, lines 7, 15, 28, and 33, delete "2008" and insert "2009"

Page 174, line 7, delete "2008" and insert "2009"

Page 174, line 24, delete the new language

Page 176, line 18, reinstate the stricken "\$10,000" and delete "\$20,000"

Page 176, line 28, delete everything after the period

Page 176, delete lines 29 and 30 and insert "This section is effective January 1, 2008."

Page 177, lines 26 and 30, reinstate the stricken "\$10,000" and delete "\$20,000"

Page 177, line 33, delete everything after the period

Page 177, delete lines 34 and 35 and insert "This section is effective January 1, 2008."

Page 180, line 3, reinstate the stricken language

Page 180, lines 5 to 9, reinstate the stricken language

Page 180, line 29, strike "\$25,000 for the six-month" and insert "\$50,000 for the twelve-month"

Page 180, delete section 33

Page 183, line 8, after the second period, insert "This paragraph expires June 30, 2010."

Page 184, delete section 39

Page 185, delete section 43

Page 189, delete section 47

Page 190, delete section 49 and insert:

"Sec. 45. **REPEALER.**

(a) Minnesota Statutes 2006, sections 256B.0625, subdivisions 5a, 5b, 5c, 5d, 5e, 5f, 5g, 5h, 5i, 5j, and 5k; and 256L.07, subdivision 2a, are repealed effective July 1, 2007.

(b) Minnesota Statutes 2006, sections 256.956, is repealed effective September 1, 2007.

(c) Minnesota Statutes 2006, section 256L.035, is repealed effective January 1, 2008.

(d) Minnesota Statutes 2006, section 256B.0631, subdivision 4, is repealed effective January 1, 2009."

Page 226, delete section 1

Page 231, delete section 5

Page 232, line 30, after the semicolon, insert "and"

Page 232, delete lines 31 to 33

Page 232, line 34, delete "(10)" and insert "(9)"

Page 233, delete section 8

Page 234, delete section 9

Page 244, delete section 17

Page 245, line 20, delete the new language

Page 245, delete lines 21 and 22

Page 245, line 33, delete "and about reverse"

Page 245, delete line 34

Page 245, line 35, delete the new language

Page 247, delete section 20

Page 258, delete section 25

Page 262, delete section 29

Page 263, line 4, delete "2.62" and insert "1.87"

Page 266, line 18, delete "five" and insert "eight" and delete "2012" and insert "2015"

Page 266, line 19, delete "2013" and insert "2016"

Page 266, line 27, delete "2011" and insert "2014"

Page 273, line 12, delete "2013" and insert "2016"

Page 274, line 12, delete "2013" and insert "2016"

Page 275, lines 19, 21, and 30, delete "2011" and insert "2014"

Page 275, line 20, delete "2013" and insert "2016"

Page 275, line 32, delete "2013" and insert "2016" and delete "2011" and insert "2014"

Page 276, line 17, delete "24.9" and insert "13"

Page 276, line 18, delete "75.1" and insert "87"

Page 276, line 20, delete "57.6" and insert "14"

Page 276, line 21, delete "42.4" and insert "86"

Page 276, line 23, delete "92.1" and insert "14"

Page 276, line 24, delete "7.9" and insert "86"

Page 276, delete line 26 and insert "shall be 31 percent of the operating cost payment rate from this section, and 69 percent"

Page 276, line 27, after the period, insert "For the rate year beginning October 1, 2012, the operating cost payment rate for each facility shall be 48 percent of the operating cost payment rate from this section, and 52 percent of the operating cost payment rate from section 256B.434. For the rate year beginning October 1, 2013, the operating cost payment rate for each facility shall be 65 percent of the operating cost payment rate from this section, and 35 percent of the operating cost payment rate from section 256B.434. For the rate year beginning October 1, 2014, the operating cost payment rate for each facility shall be 82 percent of the operating cost payment rate from this section, and 18 percent of the operating cost payment rate from section 256B.434."

Page 276, line 28, delete "2012" and insert "2015"

Page 277, line 14, delete "2012" and insert "2016"

Page 279, line 25, delete "2.75" and insert "2.0"

Page 279, line 26, delete "October" and insert "July"

Page 279, line 27, delete "3.0" and insert "2.0"

Page 279, line 28, delete "September" and insert "June"

Page 289, delete section 77

Page 292, line 5, delete "2.75" and insert "2.0" and delete "3.00" and insert "2.0"

Page 292, line 6, delete "October" and insert "July"

Page 295, line 10, delete "2.75" and insert "2.0"

Page 295, line 11, delete "3.0" and insert "2.0"

Page 310, line 30, delete the colon and insert "develop a directory that identifies key characteristics of each licensed chemical dependency treatment program."

Page 310, delete lines 31 to 33

Page 311, delete lines 1 to 13

Page 360, after line 13, insert:

"Subd. 3. **Deposit.** Fees received under sections 148.995 to 148.997 shall be deposited in the state government special revenue fund."

Page 363, after line 13, insert:

"Sec. 37. **APPROPRIATION.**

\$18,000 in fiscal year 2008 and \$5,000 in fiscal year 2009 are appropriated to the commissioner of health from the state government special revenue fund to implement the doula registry in Minnesota Statutes, sections 148.995 to 148.997."

Page 379, after line 12, insert:

"Sec. 2. Minnesota Statutes 2006, section 144.5509, is amended to read:

**144.5509 RADIATION THERAPY FACILITY CONSTRUCTION.**

(a) A radiation therapy facility may be constructed only by an entity owned, operated, or controlled by a hospital licensed according to sections 144.50 to 144.56 either alone or in cooperation with another entity.

(b) ~~This section expires August 1, 2013~~ Notwithstanding paragraph (a), there shall be a two-year moratorium on the construction of any radiation therapy facility located in the following counties: Hennepin, Ramsey, Dakota, Washington, Anoka, Carver, Scott, St. Louis, Sherburne, Benton, Stearns, Chisago, Isanti, and Wright. This paragraph does not apply to the relocation or reconstruction of an existing facility owned by a hospital if the relocation or reconstruction is within one mile of the existing facility. This paragraph expires August 1, 2009."

Page 402, delete section 22

Page 403, delete section 1

Page 404, before line 3, insert:

"Sec. 2. Minnesota Statutes 2006, section 43A.23, subdivision 1, is amended to read:

Subdivision 1. **General.** (a) The commissioner is authorized to request bids and to enter into contracts with parties which in the judgment of the commissioner are best qualified to provide service to the benefit plans. Contracts entered into are not subject to the requirements of sections 16C.16 to 16C.19. The commissioner may negotiate premium rates and coverage. Contracts to underwrite the benefit plans must be bid or negotiated separately from contracts to service the benefit plans, which may be awarded only on the basis of competitive bids. The commissioner shall consider the cost of the plans, conversion options relating to the contracts, service capabilities, character, financial position, and reputation of the carriers, and any other factors which the commissioner deems appropriate. Each benefit contract must be for a uniform term of at least one year, but may be made automatically renewable from term to term in the absence of notice of termination by either party. A carrier licensed under chapter 62A is exempt from the taxes imposed by chapter 297I on premiums paid to it by the state.

(b) All self-insured hospital and medical service products must comply with coverage mandates, data reporting, and consumer protection requirements applicable to the licensed carrier administering the product, had the product been insured, including chapters 62J, 62M, and 62Q. Any self-insured products that limit coverage to a network of providers or provide different levels of coverage between network and nonnetwork providers shall comply with section 62D.123 and geographic access standards for health maintenance organizations adopted by the commissioner of health in rule under chapter 62D.

(c) Notwithstanding paragraph (b), a self-insured hospital and medical product offered under sections 43A.22 to 43A.30 is not required to extend dependent coverage to an eligible employee's unmarried child under the age of 25 to the full extent required under chapters 62A and 62L. Dependent coverage must, at a minimum, extend to an eligible employee's unmarried child who is under the age of 19 or an unmarried child under the age of 25 who is a full-time student. The definition of "full-time student" for purposes of this paragraph includes any student who by reason of illness, injury, or physical or mental disability as documented by a physician is unable to carry what the educational institution considers a full-time course load so long as the student's course load is at least 60 percent of what otherwise is considered by the institution to be a full-time course load. Any notice regarding termination of coverage due to attainment of the limiting age must include information about this definition of "full-time student."

**EFFECTIVE DATE.** This section is effective January 1, 2008."

Page 406, delete section 7

Page 408, delete section 11

Page 410, delete section 13

Page 414, delete section 19

Page 416, line 8, delete everything after the first "256L.15" and insert a period

Page 416, delete lines 9 and 10

Page 416, delete subdivision 5

Page 430, line 13, delete "Upon federal approval" and insert "Effective July 1, 2009, or upon federal approval, whichever is later,"

Page 435, delete section 21 and insert:

"Sec. 21. **HEALTH CARE TRANSFORMATION TASK FORCE.**

Subdivision 1. **Task force.** (a) The governor shall convene a health care transformation task force to advise and assist the governor regarding activities to transform the health care system, and to develop a statewide action plan as provided under subdivision 3. The task force shall consist of:

(1) two legislators from the house of representatives appointed by the speaker, and two legislators from the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration;

(2) two representatives of the governor and state agencies, appointed by the governor;

(3) three persons appointed by the governor who have demonstrated leadership in health care organizations, health improvement initiatives, health care trade or professional associations, or other collaborative health system improvement activities;

(4) three persons appointed by the governor who have demonstrated leadership in employer and group purchaser activities related to health system improvement, at least two of which must be from a labor organization; and

(5) five persons appointed by the governor who have demonstrated public or private sector leadership and innovation.

The governor is exempt from the requirements of the open appointments process for purposes of appointing task force members.

(b) The Department of Health shall provide staff support to the task force. The task force may accept outside resources to help support its efforts.

Subd. 2. **Public and stakeholder engagement.** The commissioner of health shall review available research to determine Minnesotans' values, preferences, opinions, and perceptions related to health care and to the issues confronting the task force, and shall report the findings to the task force.

Subd. 3. **Duties.** By February 1, 2008, the task force shall develop and present to the legislature and the governor a statewide action plan for transforming the health care system to improve affordability, quality, access, and the health status of Minnesotans. The plan may consist of legislative actions, administrative actions of governmental entities, collaborative actions, and actions of individuals and individual organizations. Among other things, the action plan must include the following, with specific and measurable goals and deadlines for each:

(1) actions that will reduce health care expenditures by 20 percent by January 2011, and limit the rate of growth in health care spending to no greater than the percentage increase in the consumer price index for all urban consumers plus two percentage points each year thereafter;

(2) actions that will increase the affordable health coverage options for all Minnesotans and other strategies that will ensure all Minnesotans will have health coverage by January 2011;

(3) actions to improve the quality and safety of health care and reduce racial and ethnic disparities in access and quality;

(4) actions that will improve the health status of Minnesotans and reduce the rate of preventable chronic illness;

(5) proposed changes to state health care purchasing and payment strategies that will promote higher quality, lower cost health care;

(6) actions that will promote the appropriate and cost-effective investment in new facilities, technologies, and drugs;

(7) options for serving small employers and their employees, and self-employed individuals; and

(8) actions to reduce administrative costs."

Page 450, line 6, delete "coordinator" and insert "coordinators"

Page 455, delete section 17

Page 465, delete lines 29 to 32

Page 466, delete lines 1 to 4 and insert:

	<u>2008</u>	<u>2009</u>	<u>Total</u>
<u>General</u>	\$ 4,749,084,000	\$ 5,070,979,000	\$ 9,820,063,000
<u>State Government Special Revenue</u>	59,686,000	58,595,000	118,281,000
<u>Health Care Access</u>	441,426,000	506,894,000	948,320,000
<u>Federal TANF</u>	261,955,000	271,784,000	533,739,000
<u>Lottery Prize Fund</u>	2,185,000	1,790,000	3,975,000
<b><u>Total</u></b>	<b>\$ 5,514,336,000</b>	<b>\$ 5,910,042,000</b>	<b>\$ 11,424,378,000"</b>

Page 466, line 19, delete "5,316,163,000" and insert "5,294,627,000" and delete "5,752,672,000" and insert "5,695,458,000"

Page 466, delete lines 20 to 27 and insert:

	<u>"Appropriations by Fund</u>	
	<u>2008</u>	<u>2009</u>
<u>General</u>	4,614,727,000	4,940,293,000
<u>State Government Special Revenue</u>	549,000	565,000
<u>Health Care Access</u>	426,628,000	492,759,000

<u>Federal TANF</u>	<u>250,537,000</u>	<u>260,051,000</u>
<u>Lottery Prize Fund</u>	<u>2,185,000</u>	<u>1,790,000"</u>

Page 468, after line 18, insert:

**"Purchasing Alliance Fund Transfer. On September 1, 2007, any remaining balance in the purchasing alliance stop-loss fund account established under Minnesota Statutes, section 256.956, shall transfer to the general fund."**

Page 470, line 26, delete "\$11,126,000" and insert "\$11,097,000"

Page 470, line 27, delete "\$25,788,000" and insert "\$25,401,000"

Page 470, line 28, delete "\$13,113,000" and insert "\$20,398,000"

Page 470, line 29, delete "\$11,414,000" and insert "\$19,841,000"

Page 471, line 16, delete "12,352,000" and insert "12,337,000" and delete "12,439,000" and insert "12,424,000"

Page 471, line 22, delete "\$12,376,000" and insert "\$12,361,000"

Page 471, line 34, delete "59,246,000" and insert "57,896,000" and delete "61,680,000" and insert "59,900,000"

Page 472, line 7, delete "\$2,737,000" and insert "\$1,387,000"

Page 472, line 8, delete "\$4,783,000" and insert "\$3,003,000"

Page 472, line 9, delete "\$4,789,000" and insert "\$4,944,000"

Page 472, line 10, delete "\$4,821,000" and insert "\$6,893,000"

Page 472, line 24, delete "62,514,000" and insert "62,405,000"

Page 472, line 25, delete "78,402,000" and insert "75,904,000" and delete "85,221,000" and insert "80,841,000"

Page 475, delete lines 6 and 7 and insert "to the commissioner to continue to fund the existing integrated services projects for MFIP families, and if funding allows, additional similar projects."

Page 475, line 12, delete "74,672,000" and insert "74,654,000" and delete "72,173,000" and insert "71,951,000"

Page 475, line 15, delete "43,398,000" and insert "42,995,000" and delete "45,548,000" and insert "45,008,000"

Page 475, line 17, delete "\$45,557,000" and insert "\$44,881,000"

Page 475, line 18, delete "\$45,535,000" and insert "\$44,852,000"

Page 475, line 24, delete "4,365,000" and insert "4,390,000" and delete "4,365,000" and insert

"6,390,000"

Page 475, line 26, delete "\$1,000,000" and insert "\$250,000"

Page 476, line 1, delete "\$1,000,000" and insert "\$250,000"

Page 476, line 10, delete "\$750,000" and insert "\$375,000"

Page 476, delete lines 18 to 35

Page 477, delete lines 1 to 29

Page 478, line 12, delete "61,293,000" and insert "63,647,000" and delete "73,281,000" and insert "71,147,000"

Page 478, line 14, delete "250,000" and insert "240,000" and delete "730,000" and insert "340,000"

Page 478, delete lines 15 to 25

Page 479, line 6, delete "\$321,000" and insert "\$197,000"

Page 479, line 7, delete "\$980,000" and insert "\$696,000"

Page 480, delete lines 1 to 6

Page 480, line 8, delete "\$3,413,000" and insert "\$5,913,000"

Page 480, line 25, delete "\$1,278,000" and insert "\$2,528,000"

Page 482, line 6, delete everything after the period

Page 482, delete lines 7 to 9

Page 482, line 19, delete "\$700,000" and insert "\$500,000"

Page 482, delete lines 22 to 32

Page 483, line 7, delete "\$71,399,000" and insert "\$62,572,000"

Page 483, line 8, delete "\$71,402,000" and insert "\$62,575,000"

Page 483, delete lines 9 and 10

Page 483, line 12, delete "104,911,000" and insert "101,369,000" and delete "69,371,000" and insert "69,208,000"

Page 483, line 14, delete "\$69,616,000" and insert "\$69,274,000"

Page 483, delete lines 16 to 35

Page 484, delete lines 1 to 7 and insert:

**"Targeted Case Management Temporary Funding.** (a) Of the general fund appropriation, \$32,667,000 in fiscal year

2008 is transferred to the targeted case management contingency reserve account in the general fund to be allocated to counties and tribes affected by reductions in targeted case management federal Medicaid revenue as a result of the provisions in the federal Deficit Reduction Act of 2005, Public Law 109-171.

(b) Contingent upon (1) publication by the federal Centers for Medicare and Medicaid Services of final regulations implementing the targeted case management provisions of the federal Deficit Reduction Act of 2005, Public Law 109-171, or (2) the issuance of a finding by the Centers for Medicare and Medicaid Services of federal Medicaid overpayments for targeted case management expenditures, up to \$32,667,000 is appropriated to the commissioner of human services. Prior to distribution of funds, the commissioner shall estimate and certify the amount by which the federal regulations or federal disallowance will reduce targeted case management Medicaid revenue over the 2008-2009 biennium.

(c) Within 60 days of a contingency described in paragraph (b), the commissioner shall distribute the grants proportionate to each affected county or tribe's targeted case management federal earnings for calendar year 2005, not to exceed the lower of (1) the amount of the estimated reduction in federal revenue or (2) \$32,667,000.

(d) These funds are available in either year of the biennium. Counties and tribes shall use these funds to pay for social service-related costs, but the funds are not subject to provisions of the Children and Community Services Act grant under Minnesota Statutes, chapter 256M.

(e) This appropriation shall be available to pay counties and tribes for expenses incurred on or after July 1, 2007. The appropriation shall be available until expended."

Page 485, line 6, delete "91,181,000" and insert "91,069,000" and delete "98,879,000" and insert "98,671,000"

Page 485, line 15, delete "21,547,000" and insert "20,183,000" and delete "19,433,000" and insert "16,333,000"

Page 485, line 18, delete "\$19,708,000" and insert "\$16,033,000"

Page 485, line 19, delete "\$19,208,000" and insert "\$15,533,000"

Page 485, after line 19, insert:

"The TANF base shall be \$1,500,000 in fiscal year 2010 and \$1,181,000 in fiscal year 2011."

Page 485, line 21, delete "\$1,639,000 the"

Page 485, delete line 22 and insert "\$500,000 each year are"

Page 485, line 27, delete "The base is" and insert "This is a onetime appropriation."

Page 485, delete lines 28 and 29

Page 485, before line 30, insert:

"**Long-Term Homelessness.** Of the general fund appropriation, \$1,000,000 each year is for implementation of programs to address long-term homelessness. This is a onetime appropriation."

Page 486, delete lines 8 to 11

Page 486, line 16, delete "Base" and insert "This is a onetime appropriation."

Page 486, delete lines 17 to 19

Page 486, line 27, after the period, insert "Base level funding for this activity shall be \$1,500,000 in fiscal year 2010 and \$1,181,000 in fiscal year 2011."

Page 487, line 10, delete "9,888,000" and insert "9,326,000" and delete "9,956,000" and insert "9,381,000"

Page 487, delete lines 12 to 18

Page 487, delete line 20 and insert "base is \$9,343,000 in each of the fiscal years 2010 and 2011."

Page 487, delete line 21

Page 487, line 25, delete "36,023,000" and insert "35,989,000"

Page 488, line 10, delete "391,818,000" and insert "389,760,000" and delete "470,951,000" and insert "458,401,000"

Page 488, line 14, delete "six-month" and insert "seven-month"

Page 488, after line 15, insert:

**Health Match Enrollment Shift.** In fiscal year 2009, \$6,178,000 shall be transferred from the health care access fund to the general fund to pay for the Health Match program-related enrollment shift. In the event no systematic enrollment shift of MinnesotaCare families and children to medical assistance occurs prior to June 30, 2009, except as required under Minnesota Statutes, section 256L.04, subdivision 8, this transfer shall not occur."

Page 488, line 19, delete "740,771,000" and insert "739,957,000" and delete "843,211,000" and insert "838,874,000"

Page 488, line 23, delete "997,868,000" and insert "995,560,000" and delete "1,106,356,000" and insert "1,101,390,000"

Page 489, delete lines 1 to 4

Page 489, line 6, delete "239,215,000" and insert "238,822,000" and delete "251,729,000" and insert "251,412,000"

Page 489, line 8, delete "1,621,000" and insert "421,000" and delete "1,671,000" and insert "921,000"

Page 489, line 9, delete "150,000" and insert "850,000" and delete "150,000" and insert "900,000"

Page 489, line 22, delete "general" and insert "health care access" and delete "\$750,000" and insert "\$881,000"

Page 489, line 26, delete "\$750,000" and insert "\$878,000"

Page 489, line 28, delete "\$500,000 in fiscal year"

Page 489, line 29, delete "2008 and" and delete "are" and insert "is"

Page 489, line 31, delete "general" and insert "health care access"

Page 489, line 32, delete "\$1,671,000" and insert "\$900,000" and delete "\$921,000" and insert "\$150,000"

Page 490, lines 2 and 25, delete "general" and insert "health care access"

Page 491, line 11, delete "10,993,000" and insert "10,954,000" and delete "11,370,000" and insert "10,936,000"

Page 491, line 12, delete "1,897,000" and insert "1,788,000" and delete "3,082,000" and insert "2,730,000"

Page 492, line 2, delete "\$4,049,000" and insert "\$3,763,000"

Page 492, line 3, delete "\$4,065,000" and insert "\$3,396,000"

Page 492, line 6, delete "\$11,164,000" and insert "\$10,701,000"

Page 492, line 7, delete "\$10,770,000" and insert "\$10,520,00"

Page 492, line 10, delete "21,941,000" and insert "21,241,000"

Page 492, line 11, delete "22,355,000" and insert "22,965,000" and delete "23,007,000" and insert "21,672,000"

Page 492, line 15, delete "\$24,024,000" and insert "\$21,697,000"

Page 492, line 16, delete "\$23,627,000" and insert "\$21,373,000"

Page 492, delete lines 27 to 31 and insert:

"(2) \$350,000 the first year and \$500,000 the second year from the general fund and \$150,000 the first year and \$250,000 the second year from the health care access fund are for the incentive program under Minnesota Statutes, section 256.962, subdivision 5. For the biennium beginning July 1, 2009, base level funding for this activity shall be \$450,000 from the general fund and \$200,000 from the health care access fund; and"

Page 493, line 8, delete "14,957,000" and insert "14,357,000" and delete "15,390,000" and insert "14,727,000"

Page 493, line 18, delete "\$83,000" and insert "\$42,000"

Page 493, line 22, delete "\$84,000" and insert "\$42,000"

Page 493, line 26, delete "\$83,000" and insert "\$41,000"

Page 493, line 30, delete "\$250,000" and insert "\$125,000"

Page 494, delete lines 4 to 36

Page 495, delete lines 1 to 9

Page 495, delete line 11 and insert "is \$14,774,000 in fiscal year 2010 and \$14,899,000 in fiscal year 2011."

Page 495, delete line 12

Page 495, line 14, delete "50,012,000" and insert "49,858,000" and delete "52,099,000" and insert "51,758,000"

Page 495, line 21, delete "\$52,940,000" and insert "\$52,120,000"

Page 495, line 22, delete "\$53,167,000" and insert "\$52,277,000"

Page 495, line 26, delete "499,615,000" and insert "496,920,000" and delete "506,667,000" and insert "499,556,000"

Page 497, line 13, delete "961,966,000" and insert "957,020,000" and delete "1,085,510,000" and insert "1,075,074,000"

Page 497, after line 13, insert:

**"County CADI allocation adjustment. (1)**

The commissioner shall adjust 2007 home and community-based allocations under Minnesota Statutes, section 256B.49, to qualifying counties that transferred persons to the community alternatives for disabled individuals (CADI) waiver program under Laws 2006, chapter 282, article 20, section 35. The adjustment shall reflect the amount that county-authorized funding for CADI waiver services exceeded the allowable amount as shown in the Medicaid Management Information System (MMIS) on March 1, 2007.

(2) A county that may qualify under paragraph (1) shall apply to the commissioner by June 10, 2007. Following a review of the county request and the MMIS documentation, the commissioner shall adjust the county allocation, as appropriate, by June 25, 2007.

(3) The amounts provided to a county under this section shall become part of the county's base level state allocation for the CADI waiver for the biennium beginning July 1, 2007.

(4) This rider is effective the day following final enactment."

Page 497, line 16, delete "57,609,000" and insert "59,632,000" and delete "62,656,000" and insert "62,217,000"

Page 497, delete lines 19 to 34

Page 498, delete lines 1 to 11

Page 498, line 13, delete "\$1,278,000" and insert "\$2,528,000"

Page 499, line 28, delete "\$750,000" and insert "\$1,750,000"

Page 501, line 26, delete "1,932,000" and insert "1,730,000" and delete "2,365,000" and insert "1,964,000"

Page 501, line 33, delete "\$2,383,000" and insert "\$1,968,000"

Page 502, line 2, delete "78,618,000" and insert "78,225,000" and delete "88,957,000" and insert "88,138,000"

Page 502, line 5, delete "1,605,000" and insert "1,655,000"

Page 502, delete lines 17 to 20

Page 503, after line 2, insert:

**Native American Juvenile Treatment Center.** Of the general fund appropriation, \$50,000 is to conduct a feasibility study of and to predesign a Native American juvenile treatment center on or near the White Earth Reservation. The facility must house and treat Native American juveniles and provide culturally specific programming to juveniles placed in the treatment center. The commissioner of human services may contract with parties who have experience in the design and construction of juvenile treatment centers to assist in the feasibility study and predesign. On or before January 15, 2008, the commissioner shall present the results of the feasibility study and the predesign of the facility to the chairs of house of representatives and senate committees having jurisdiction over human services finance, public safety finance, and capital investment.

**Leech Lake Youth Treatment Center.** Of the general fund appropriation, \$75,000 each year are for a grant to the Leech Lake Youth Treatment Center project partners, in order to pay the salaries and other directly related costs associated with the development of this project. This is a onetime appropriation."

Page 503, line 7, delete "21,889,000" and insert "21,409,000" and delete "17,856,000" and insert "16,983,000"

Page 503, delete lines 8 to 35

Page 504, delete lines 1 to 10

Page 504, after line 24, insert:

"Disability Linkage Line. Of the general fund appropriation, \$469,000 in fiscal year 2008 and \$626,000 in fiscal year 2009 are to establish and maintain the disability linkage line."

Page 504, line 26, delete "\$18,228,000" and insert "\$17,103,000"

Page 504, line 27, delete "\$18,282,000" and insert "\$17,141,000"

Page 504, line 30, delete "19,722,000" and insert "19,387,000" and delete "19,914,000" and insert "19,699,000"

Page 505, line 13, delete "\$19,745,000" and insert "\$19,530,000"

Page 505, line 14, delete "\$19,835,000" and insert "\$19,620,000"

Page 505, delete lines 15 to 19

Page 508, line 26, delete "161,774,000" and insert "154,874,000" and delete "155,440,000" and insert "148,015,000"

Page 508, line 29, delete "85,932,000" and insert "84,862,000" and delete "80,773,000" and insert "79,348,000"

Page 508, line 32, delete "20,628,000" and insert "14,798,000" and delete "20,135,000" and insert "14,135,000"

Page 509, line 27, delete "44,672,000" and insert "44,271,000" and delete "44,436,000" and insert "43,836,000"

Page 509, line 30, delete "3,550,000" and insert "4,050,000" and delete "3,586,000" and insert "4,086,000"

Page 510, line 9, after the period, insert "Funding shall be distributed to community health boards based on Minnesota Statutes, section 145A.131, subdivision 1."

Page 511, line 5, after "year" insert "from the general fund"

Page 511, lines 15 and 16, delete "\$2,090,000" and insert "\$1,690,000"

Page 511, line 29, delete "\$100,000" and insert "\$199,000"

Page 511, line 30, delete the first "for" and delete everything after "year"

Page 511, line 31, delete "year"

Page 512, line 6, after the period, insert "This appropriation is available until June 30, 2009."

Page 512, line 19, after the period, insert "Of the general fund appropriation,"

Page 512, line 32, delete "general" and insert "health care access"

Page 513, delete lines 10 to 14

Page 513, line 15, delete everything after the period

Page 513, delete lines 16 to 18 and insert "The health care access fund base is \$3,586,000 in each fiscal years 2010 and"

Page 513, line 22, delete "12,402,000" and insert "11,732,000" and delete "11,950,000" and insert "11,450,000"

Page 513, line 25, delete "17,078,000" and insert "10,748,000" and delete "16,549,000" and insert "10,049,000"

Page 513, line 26, delete "general" and insert "health care access"

Page 514, line 13, delete "\$6,750,000" and insert "\$6,250,000"

Page 514, line 21, delete "\$2,500,000" and insert "\$2,000,000" and after the period, insert "This funding shall not become part of the base in 2012 and 2013."

Page 514, line 25, after the comma, insert "(1)"

Page 514, line 26, delete "\$6,750,000" and insert "\$3,500,000"

Page 514, line 27, delete the period and insert ", (2)"

Page 514, line 30, after "assistance" insert a comma and after "and" insert "(3)"

Page 514, line 31, delete "\$6,400,000" and insert "\$3,150,000"

Page 515, line 4, delete "general" and insert "health care access"

Page 515, line 8, after the period, insert "Funding for the 2010-2011 biennium shall be from the general fund."

Page 515, after line 13, insert:

"Community Collaboratives. Of the general fund appropriation, \$300,000 in fiscal year 2008 is to provide planning grants to community collaboratives to cover the uninsured. This is a onetime appropriation."

Page 515, line 15, delete "\$7,846,000" and insert "\$7,346,000"

Page 515, line 18, after the period, insert "The state government special revenue fund base is \$14,015,000 in fiscal year 2010 and \$14,002,000 in fiscal year 2011."

Page 515, line 21, delete "15,314,000" and insert "15,315,000" and delete "10,851,000" and insert "10,526,000"

Page 515, line 25, after "appropriation" insert ", (1)"

Page 515, line 28, delete everything after "planning" and insert ", (2) \$3,970,000 is to purchase antiviral medications and prepare and manage a stockpile of health care supplies."

Page 515, delete lines 29 to 35

Page 516, delete lines 1 and 2

Page 516, lines 4 and 31, after the period, insert "Of the general fund appropriation,"

Page 516, line 28, delete "\$550,000" and insert "Of the general fund appropriation, \$388,000"

Page 517, line 8, after the period, insert "Of the general fund appropriation,"

Page 517, line 18, delete "\$10,751,000" and insert "\$10,526,000"

Page 517, line 30, delete "\$503,000" and insert "\$683,000" and delete "\$818,000" and insert "\$998,000"

Page 518, line 32, delete "43,434,000" and insert "43,184,000" and delete "45,456,000" and insert "45,206,000"

Page 519, lines 8 and 9, delete "\$3,500,000" and insert "\$3,250,000"

Page 521, line 13, delete "4,421,000" and insert "4,346,000" and delete "4,467,000" and insert "4,392,000"

Page 521, line 16, delete "3,734,000" and insert "3,659,000" and delete "3,763,000" and insert "3,688,000"

Page 522, line 13, delete "\$3,363,000" and insert "\$3,288,000"

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 H.F. No. 1078, the second unofficial engrossment, as follows:

Page 116, after line 27, insert:

"Sec. 66. **PREKINDERGARTEN EXPLORATORY PROJECTS.**

Subdivision 1. **Early childhood allowance.** The commissioners of human services and education shall establish three prekindergarten exploratory projects to be conducted in partnership with the Minnesota Early Learning Foundation to promote children's school readiness. The exploratory projects shall be designed and evaluated by the Minnesota Early Learning Foundation.

Subd. 2. **Family eligibility.** Parents or legal guardians with incomes less than or equal to 185 percent of the federal poverty guidelines are eligible to receive allowances to pay for their children's education in a quality early education program, in an amount not to exceed \$4,000 per child per year. The allowance must be used during the 12 months following receipt of the allowance by the claimant for a child who is age 3 or 4 on August 31, to pay for services designed to promote school readiness in a quality early education setting. A quality program is one that meets the standards in subdivision 3.

Subd. 3. **Quality standards.** (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 fiscal years 2008 and 2009 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 approval from either the Department of Human Services or the Department of Education.

(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 readiness program 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 Minnesota Statutes, section 120B.021, instruction, and child assessment instruments approved by the Department of Education and the Department of 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) For 2008 and 2009, notwithstanding paragraph (b), 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 statute.

(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.

(e) For fiscal years 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 be ready for school include purchase of curricula and assessment tools, training on the use of curriculum and assessment tools, purchase of materials to improve the learning environment, or other expenditures approved by the commissioner of human services for child care providers and the commissioner of education for school readiness programs.

Subd. 4. **Eligibility; applications.** Eligible families must have incomes less than or equal to 185 percent of the federal poverty guidelines. Allowances paid to families under this program may not be counted as earned income for the purposes of medical assistance, MinnesotaCare, MFIP, child care assistance, or Head Start programs.

Subd. 5. **Expenditures.** This program shall operate during fiscal years 2008 and 2009.

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

Page 475, after line 24, insert:

**"Prekindergarten Exploratory Projects.** Of the general fund appropriation, \$2,000,000 the first year and \$4,000,000 the second year are for grants to the city of St. Paul, Hennepin County, and Blue Earth County to establish scholarship demonstration projects to be conducted in partnership with the Minnesota Early Learning Foundation to promote children's school readiness. This appropriation is available until June 30, 2009."

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 H.F. No. 1078, the second unofficial engrossment, as follows:

Page 318, line 15, delete "2009" and insert "2007"

Page 476, delete lines 9 to 17

Page 482, delete lines 17 to 21

Page 485, delete lines 30 to 34

Page 486, delete lines 1 to 7

Page 486, delete lines 32 to 34

Page 487, delete lines 1 and 2

Page 488, after line 23, insert:

**"Treatment Foster Care Services Delay.** (a) Notwithstanding Minnesota Statutes, section 256B.0625, subdivision 47, effective July 1, 2009, and subject to federal approval, medical assistance covers treatment foster care services according to Minnesota Statutes, section 256B.0946.

(b) Of the general fund savings that result from the delayed effective date in paragraph (a):

(1) The commissioner shall present to

the legislature, by February 1, 2008, a report and recommendations on establishing a health insurance exchange that would provide individuals with greater access, choice, portability, and affordability of health insurance products. The report must evaluate, identify options, and present recommendations, on:

(i) whether a health insurance exchange would provide individuals with greater access, choice, portability, and affordability of health care products;

(ii) the duties and powers of the exchange;

(iii) the use of the exchange to receive and process employee premiums on a pretax basis through section 125 plans;

(iv) eligibility criteria that enrollees and health plan companies must meet to participate in the exchange;

(v) the types of health plans to be offered through the exchange, and the extent to which these plans should be available for purchase only through the exchange;

(vi) loss ratio requirements for health plans offered through the exchange;

(vii) the extent to which the operation of the exchange will lower the cost of health care insurance coverage;

(viii) estimates of administrative costs of operating the exchange, and methods for funding these administrative costs; and

(iv) other topics relevant to the design and operation of the exchange if its establishment is recommended.

(2) \$375,000 each year are for the family, friend, and neighbor grant program in article 1, section 94. Any balance in the first year does not cancel but is available in the second year. This appropriation is for the 2008-2009 biennium only, and does not increase the base funding.

(3) \$300,000 each year from the general fund and \$150,000 each year from the TANF fund are to the commissioner for the purposes of a program in Ramsey County that provides early intervention efforts designed to discourage pregnant women from using alcohol and illegal drugs. The appropriation shall not become part of base level funding and is available until spent.

(4) \$750,000 the first year is for transitional housing programs under Minnesota Statutes, section 256E.33. Up to ten percent of this appropriation may be used for housing and services which extend beyond 24 months. \$600,000 the first year is for emergency services grants under Laws 1997, chapter 162, article 3, section 7.

(5) \$50,000 each year is for a grant to HOME Line for the tenant hotline services program. This is a onetime appropriation.

(6) \$60,000 in fiscal year 2008 is to the commissioner to contract with a Minnesota-based, nonprofit quality improvement organization that collaborates with providers and consumers in health improvement activities, for the purpose of conducting an independent analysis of the reimbursement methodologies for home health services provided to enrollees in the Minnesota senior health options and Minnesota disability health options programs. The analysis of reimbursement methodologies shall include, at a minimum, a review of:

(i) any limitations on flexibility in services or technology for the home health provider;

(ii) the Medicare program reimbursement methodologies, including possible alternatives, and Medicare benefits;

(iii) potential access issues raised by current reimbursement methodologies; and

(iv) incentives, including episodic care reimbursement methodologies, to promote

best practices and achieve identified clinical outcomes.

The analysis and any supporting recommendations shall be presented to the commissioner by December 1, 2007, and to the chairs of the appropriate legislative committees by December 15, 2007. In no event shall the study disclose any specific reimbursement amount or methodologies attributable to an individual health carrier.

In conducting its analysis, the organization described in paragraph (a) shall consult with the commissioner, the Minnesota Home Care Association, managed care organizations, and other interested home health entities and advocates, and shall convene the parties to discuss pertinent issues.

(7) \$50,000 the first year is to conduct a feasibility study of and to predesign a Native American juvenile treatment center on or near the White Earth Reservation. The facility must house and treat Native American juveniles and provide culturally specific programming to juveniles placed in the treatment center. The commissioner may contract with parties who have experience in the design and construction of juvenile treatment centers to assist in the feasibility study and predesign. On or before January 15, 2008, the commissioner shall present the results of the feasibility study and the predesign of the facility to the chairs of house of representatives and senate committees having jurisdiction over human services finance, public safety finance, and capital investment.

(8) \$200,000 in fiscal year 2008 and \$200,000 in fiscal year 2009 are to develop a statewide quality assurance and improvement system under Minnesota Statutes, section 256B.096, for persons receiving disability services. Any unspent portion of the appropriation for the first year shall not cancel but shall be available for the second year. These are

onetime appropriations.

(9) \$200,000 is to the commissioner to be available until June 30, 2009, to make a grant to Advocating Change Together for the purposes of the Remembering With Dignity project. As part of the Remembering With Dignity project, the grant recipient shall:

(i) conduct necessary research on persons buried in state cemeteries who were residents of state hospitals or regional treatment centers and buried in numbered or unmarked graves;

(ii) purchase and install headstones that are properly inscribed with their names on the graves of those persons; and

(iii) collaborate with community groups and state and local government agencies to build community involvement and public awareness, ensure public access to the graves, and ensure appropriate perpetual maintenance of state cemeteries.

(10) \$500,000 each year are to fund the Regional Children's Mental Health Initiative pilot project. This is a onetime appropriation."

Page 502, delete lines 7 to 16

Page 503, delete lines 18 to 35

Page 504, delete lines 1 to 3

Page 505, delete lines 1 to 11

Page 505, delete lines 20 to 35

Page 506, delete lines 1 to 27

Page 507, delete lines 11 to 33

Page 508, delete lines 1 to 7

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend H.F. No. 1078, the second unofficial engrossment, as follows:

Page 509, line 19, after the period, insert "(a)"

Page 509, after line 23, insert:

"(b) Of this amount:

(1) \$200,000 the first year is for the heart disease and stroke prevention unit to fund data collection and other activities to improve cardiovascular health and reduce the burden of heart disease and stroke in Minnesota. This is a onetime appropriation.

(2) \$300,000 in fiscal year 2008 is to provide planning grants to community collaboratives to cover the uninsured. This is a onetime appropriation.

(3) \$250,000 in 2008 is for an AIDS prevention initiative focusing on foreign-born residents. This appropriation is a onetime appropriation and shall not become part of the base level funding for the 2010-2011 biennium.

The commissioner of health shall award grants in accordance with Minnesota Statutes, section 145.924, paragraph (b), for a public education and awareness campaign targeting communities of foreign-born Minnesota residents. The grants shall be designed to promote knowledge and understanding about HIV and to increase knowledge in order to eliminate and reduce the risk for HIV infection; to encourage screening and testing for HIV; and to link individuals to public health and health care resources. The grants must be awarded to collaborative efforts that bring together nonprofit community-based groups with demonstrated experience in addressing the public health, health care, and social service needs of foreign-born communities.

(4) \$199,000 the first year is for the purpose of providing family support and assistance to families with children who are deaf or have a hearing loss. The family support provided must include direct parent-to-parent assistance and information on communication, educational, and medical options. The commissioner may contract with a nonprofit organization that has the ability to provide these services throughout the state.

This appropriation is available until June 30, 2009.

(c) Notwithstanding any contrary provision in this article, this rider shall not expire."

Page 511, delete lines 29 to 34

Page 512, delete lines 1 to 14

Page 513, delete lines 10 to 14

Page 516, delete lines 3 to 27

The motion prevailed. So the amendment was adopted.

Senator Koch moved to amend the first Berglin amendment to H.F. No. 1078, the second unofficial engrossment, adopted by the Senate May 21, 2007, as follows:

Page 6, line 1, after the period, insert "This paragraph does not apply to a radiation therapy facility that is being built attached to a community hospital in Wright County and meets the following conditions prior to August 1, 2007: the capital expenditure report required under Minnesota Statutes, section 62J.17, has been filed with the commissioner of health; a timely construction schedule is developed, stipulating dates for beginning, achieving various stages, and completing construction; and all zoning and building permits applied for."

The motion prevailed. So the amendment was adopted.

H.F. 1078 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 43 and nays 23, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Kubly	Olson, M.	Scheid
Bakk	Dille	Langseth	Pappas	Sheran
Berglin	Doll	Larson	Pogemiller	Sieben
Betzold	Erickson Ropes	Latz	Prettner Solon	Tomassoni
Bonoff	Foley	Lourey	Rest	Torres Ray
Carlson	Gimse	Lynch	Rosen	Vickerman
Clark	Higgins	Metzen	Rummel	Wiger
Cohen	Koch	Moua	Saltzman	
Day	Koering	Olseen	Saxhaug	

Those who voted in the negative were:

Chaudhary	Ingebrigtsen	Michel	Pariseau	Sparks
Fischbach	Johnson	Murphy	Robling	Vandeveer
Frederickson	Jungbauer	Neuville	Senjem	Wergin
Gerlach	Limmer	Olson, G.	Skoe	
Hann	Marty	Ortman	Skogen	

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

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Pogemiller moved that H.F. No. 2268 be taken from the table. The motion prevailed.

**H.F. No. 2268:** A bill for an act relating to public finance; providing terms and conditions related to the issuance of obligations and the financing of public improvements and services; extending the time for certain publications of notices; authorizing and validating trusts to pay public postemployment benefits; amending Minnesota Statutes 2006, sections 118A.03, subdivision 3; 123B.61; 204B.46; 275.61, subdivision 1; 331A.05, subdivision 2; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 373.40, subdivision 4; 375B.09; 383B.117, subdivision 2; 383B.77, subdivisions 1, 2; 410.32; 412.301; 428A.02, subdivision 1; 453A.02, subdivision 3; 473.39, by adding subdivisions; 475.52, subdivision 6; 475.53, subdivision 1; 475.58, subdivisions 1, 3b; proposing coding for new law in Minnesota Statutes, chapters 471; 475.

Senator Bakk moved to amend H.F. No. 2268, the second unofficial engrossment, as follows:

Delete everything after the enacting clause and insert:

**"ARTICLE 1****AIDS TO LOCAL GOVERNMENTS AND PROPERTY TAX REFUNDS**

Section 1. 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	1.0 percent	15 percent	<u>\$1,820</u>
			<u>\$1,450</u>
1,190 to 2,379	1.1 percent	15 percent	<u>\$1,820</u>
			<u>\$1,410</u>
2,380 to 3,589	1.2 percent	15 percent	<u>\$1,820</u>
			<u>\$1,410</u>
3,590 to 4,789	1.3 percent	20 percent	<u>\$1,820</u>
			<u>\$1,360</u>
4,790 to 5,979	1.4 percent	20 percent	<u>\$1,820</u>
			<u>\$1,360</u>
5,980 to 8,369	1.5 percent	20 percent	<u>\$1,820</u>
			<u>\$1,310</u>
8,370 to 9,559	1.6 percent	25 percent	<u>\$1,820</u>

			<del>\$1,310</del>
9,560 to 10,759	1.7 percent	25 percent	<u>\$1,820</u>
			<del>\$1,260</del>
10,760 to 11,949	1.8 percent	25 percent	<u>\$1,820</u>
			<del>\$1,260</del>
11,950 to 13,139	1.9 percent	30 percent	<u>\$1,820</u>
			<del>\$1,210</del>
13,140 to 14,349	2.0 percent	30 percent	<u>\$1,750</u>
			<del>\$1,210</del>
14,350 to 16,739	2.1 percent	30 percent	<u>\$1,750</u>
			<del>\$1,160</del>
16,740 to 17,929	2.2 percent	35 percent	<u>\$1,750</u>
			<del>\$1,160</del>
17,930 to 19,119	2.3 percent	35 percent	<u>\$1,750</u>
			<del>\$1,110</del>
19,120 to 20,319	2.4 percent	35 percent	<u>\$1,750</u>
			<del>\$1,110</del>
20,320 to 25,099	2.5 percent	40 percent	<u>\$1,750</u>
			<del>\$1,070</del>
25,100 to 28,679	2.6 percent	40 percent	<u>\$1,750</u>
			<del>\$1,070</del>
28,680 to 35,849	2.7 percent	40 percent	<u>\$1,750</u>
			<del>\$ 970</del>
35,850 to 41,819	2.8 percent	45 percent	<u>\$1,600</u>
			<del>\$ 970</del>
41,820 to 47,799	3.0 percent	45 percent	<u>\$1,400</u>
			<del>\$ 870</del>
47,800 to 53,779	<del>3.23.0</del> <u>3.23.0</u> percent	45 percent	<u>\$1,200</u>
			<del>\$ 780</del>
53,780 to 59,749	<del>3.53.0</del> <u>3.53.0</u> percent	50 percent	<u>\$1,100</u>
			<del>\$ 680</del>
59,750 to 65,729	<del>4.03.0</del> <u>4.03.0</u> percent	50 percent	<u>\$1,000</u>
			<del>\$ 580</del>
65,730 to 69,319	<del>4.03.0</del> <u>4.03.0</u> percent	50 percent	<u>\$750</u>
			<del>\$ 480</del>
69,320 to 71,719	<del>4.03.0</del> <u>4.03.0</u> percent	50 percent	<u>\$600</u>
			<del>\$ 390</del>
71,720 to 74,619	<del>4.03.0</del> <u>4.03.0</u> percent	50 percent	<u>\$500</u>

74,620 to 77,519	4.03.0 percent	50 percent	\$ 290 <u>\$350</u>
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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 or more.

**EFFECTIVE DATE.** This section is effective for refunds based on property taxes payable in 2008 only.

Sec. 2. Minnesota Statutes 2006, section 290A.04, is amended by adding a subdivision to read:

**Subd. 2k. Homeowners.** (a) A claimant who is a homeowner and whose property taxes payable exceed the threshold percentage specified for the claimant's household income is entitled to a homeowner property tax refund. The homeowner property tax refund equals the refund percentage for the claimant's household income, multiplied by the amount of taxes in excess of the threshold percentage, up to the maximum refund amount specified for claimant's household income.

<u>Household Income</u>	<u>Threshold Percentage</u>	<u>Refund Percentage</u>	<u>Maximum Refund</u>
\$0 to 1,429	1.0 percent	85 percent	\$2,180
1,430 to 2,849	1.1 percent	85 percent	\$2,180
2,850 to 4,309	1.2 percent	85 percent	\$2,180
4,310 to 5,749	1.3 percent	80 percent	\$2,180
5,750 to 7,169	1.4 percent	80 percent	\$2,180
7,170 to 10,039	1.5 percent	80 percent	\$2,180
10,040 to 11,469	1.6 percent	75 percent	\$2,100
11,470 to 12,909	1.7 percent	75 percent	\$2,100
12,910 to 14,329	1.8 percent	75 percent	\$2,100
14,330 to 15,759	1.9 percent	70 percent	\$2,100
15,760 to 17,209	2.0 percent	70 percent	\$2,100
17,210 to 20,079	2.1 percent	70 percent	\$2,100
20,080 to 21,509	2.2 percent	65 percent	\$2,100
21,510 to 22,929	2.3 percent	65 percent	\$2,100
22,930 to 24,369	2.4 percent	65 percent	\$2,100
24,370 to 30,109	2.5 percent	60 percent	\$2,100
30,110 to 34,399	2.6 percent	60 percent	\$2,100
34,400 to 42,999	2.7 percent	60 percent	\$2,100
43,000 to 50,159	2.8 percent	55 percent	\$1,920
50,160 to 57,329	3.0 percent	55 percent	\$1,680
57,330 to 64,499	3.0 percent	55 percent	\$1,440

<u>64,500 to 71,659</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$1,320</u>
<u>71,660 to 78,839</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$1,200</u>
<u>78,840 to 83,139</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 900</u>
<u>83,140 to 86,019</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 720</u>
<u>86,020 to 89,499</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 600</u>
<u>89,500 to 92,979</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$ 420</u>

(b) No refund is allowed under paragraph (a) if the claimant's household income is more than \$92,979.

**EFFECTIVE DATE.** This section is effective beginning for refund claims based on property taxes payable in 2009.

Sec. 3. 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, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under ~~subdivisions 2 and~~ subdivision 2a for inflation. Beginning for property tax refunds payable in calendar year 2011, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivision 2k 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 for subdivision 2a shall be determined from the year ending on June 30, 2000, to the year ending on June 30 of the year preceding that in which the refund is payable and the percentage increase for subdivision 2k shall be determined from the year ending on June 30, 2009, 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 and 2k for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year, except there is no adjustment to the income thresholds and maximum refunds under subdivision 2k for refunds payable in 2010. 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.

**EFFECTIVE DATE.** This section is effective beginning for claims based on property taxes payable in 2009.

Sec. 4. 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.

(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 by an additional \$75,000 in calendar years 2008 to 2013 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 and by \$75,000 in calendar year 2008 only, provided that:

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

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

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

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

(r) The city aid base for a city is increased by ~~\$25,000~~ \$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 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) The city aid base for a city with a population less than 5,000 is increased in 2006 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 multiplied by its population.

(t) 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:

- (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) 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.

(v) The city aid base for a city is increased by \$30,000 in 2008 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$30,000 in calendar year 2008 only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(w) The city aid base for a city is increased by \$100,000 in 2008 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2008 only if the city had a city net tax capacity for aids payable in 2007 of less than \$150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.

(x) The city aid base for a city is increased by \$200,000 in 2008 through 2012, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2008 only if the city:

- (i) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;
- (ii) has a 2005 population greater than 7,000 but less than 8,000; and
- (iii) has a 2005 net tax capacity per capita of less than \$500.

**EFFECTIVE DATE.** This section is effective for aid payable in 2008 and subsequent years.

Sec. 5. 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.~~ In 2008 only, a county with (1) a 2005 population greater than 10,000 and less than 29,000, and (2) an average Part I crimes per capita greater than 3.6 percent for aids payable in 2007 shall receive \$250,000.

Sec. 6. 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 the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.00225. As used in this subdivision, the following terms have the meanings given them:

(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town, divided by the adjusted net tax capacity of all other property located in the town. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, timber land, and noncommercial seasonal recreational property;

(3) "town area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres, located in the township available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) the State Land Management Information Center; or

(iii) the secretary of state; and

(4) "population factor" means the square root of the town's population.

If the sum of the aids payable to all towns under this subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to each town must be reduced proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

Sec. 7. Minnesota Statutes 2006, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) ~~the sum of the city's net tax capacity multiplied by the tax effort rate; 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.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.

Sec. 8. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2002 and thereafter~~ 2008, 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. In calendar year 2009, 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) 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 2008, the total aid for any city shall not exceed the sum of (1) 30 percent of its net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 2009 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 2008 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from be less than its total aid under this section in the previous year by an amount greater than minus the lesser of (1) \$15 multiplied by its population, or (2) 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 2008 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 the lesser of (1) \$15 multiplied by its population, or (2) 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.

**EFFECTIVE DATE.** This section is effective for aids payable in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 477A.03, is amended to read:

**477A.03 APPROPRIATION.**

Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

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 2008 and thereafter, the total aids paid under section 477A.013, subdivision 9, is limited to \$485,052,000~~ \$555,052,000.

Subd. 2b. **Counties.** (a) ~~For aids payable in calendar year 2005 and thereafter 2008, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$100,500,000~~ \$107,000,000. For aids payable in 2009 the total aids under section 477A.0124, subdivision 3, are limited to \$108,000,000. For aids payable in 2010 and thereafter the total aids paid to counties under section 477A.0124, subdivision 3, are limited to the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5. 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 2008, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000~~ \$111,632,923. For aids payable in 2009, the total aids under section 477A.0124, subdivision 4, are limited to \$112,632,923. For aids payable in 2006 2010 and thereafter, the total aid under section 477A.0124, subdivision 4, is limited to \$105,132,923 the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5. 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.

Subd. 2c. **Towns.** For aids payable in 2008, the total aids paid under section 477A.013, subdivision 1, is limited to \$5,000,000. For aids payable in 2009 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to the amount certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5.

Subd. 5. **Inflation adjustment.** (a) In 2010 and thereafter, the amounts paid under subdivision 2b, paragraphs (a) and (b), shall be equal to the amount calculated in paragraph (c).

(b) In 2009 and thereafter, the amounts paid under subdivision 2c shall be equal to the amount calculated in paragraph (c).

(c) The amounts adjusted for inflation under this subdivision shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year multiplied by

(2) one plus the percentage increase in the implicit price deflator for state and local government purchases of goods and services prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The percentage increase in the limit on total aids payments adjusted under this subdivision may not be less than 2.5 percent or greater than 5.0 percent of the limits on total amount certified to be paid in these aids in the previous year.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2008 and thereafter.

Sec. 10. 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. 11. 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. 12. 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 related to the trust conversion application of the Shooting Star Casino. 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 property tax 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, 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 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. 13. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF SCHOOL DISTRICT AIDS AND LEVIES.**

For purposes of calculating school levies and aids for fiscal years 2009, 2010, and 2011 only, the commissioner of revenue shall compute the adjusted net tax capacity and referendum market value as if the tax base changes resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

**Sec. 14. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF COUNTY, CITY, AND TOWN AIDS.**

For purposes of calculating aid for towns and cities under section 477A.013, and for counties under section 477A.0124, for payment in 2008, 2009, and 2010 only, the commissioner of revenue shall calculate the adjusted net tax capacity of cities and counties, as defined in sections 477A.011 and 477A.0124, as if the tax base changes resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

**Sec. 15. MAHNOMEN COUNTY; CITY, COUNTY, AND SCHOOL DISTRICT TAX BASE ADJUSTMENTS.**

(a) The commissioner of revenue must reduce the referendum market value and adjusted net tax capacity used to calculate school levies beginning with taxes payable in 2008 and subsequent years for Independent School District No. 432, Mahnomen, by the amounts attributable to the Shooting Star Casino, which is pending placement into trust status by the United States Department of the Interior, Bureau of Indian Affairs. This adjustment shall be made for each assessment year that the property remains on the tax rolls. The Mahnomen County auditor must certify the reductions in value to the Department of Revenue in the form and manner specified by the commissioner of revenue.

(b) The commissioner of revenue must reduce the county and city net tax capacities used to calculate aids under sections 477A.011 to 477A.03, beginning with aids payable in 2008 for the county of Mahnomen and the city of Mahnomen, by the amounts attributable to property that is pending placement into trust status by the United States Department of the Interior, Bureau of Indian Affairs. This adjustment shall be made for each assessment year that the property remains on the tax rolls.

**EFFECTIVE DATE.** This section is effective for aids and levies payable in 2008 and thereafter.

**Sec. 16. GRAND MARAIS AND COOK COUNTY FIRE AID.**

\$500,000 is appropriated in each of fiscal years 2008 and 2009 from the general fund to the commissioner of revenue to be paid to the city of Grand Marais and to Cook County for costs related to the Ham Lake fire of 2007. The aid provided in this section must be used for nonreimbursed, uninsured costs of repairing roads and rights-of-way; sprinkler systems for structures; costs incurred by volunteer fire departments, including replacement of portable sprinkler systems, and repair of vehicles; debris removal and disposal costs; erosion control and water quality protection assistance and coordination; repair, replacement, and improvement of communications equipment and infrastructure for the city and county public safety and human services network and emergency response centers. The total amount of the aid must be divided between the city of Grand Marais and Cook County in proportion to their amounts of eligible costs.

**Sec. 17. 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, 2008.

**Sec. 18. REPEALER.**

Minnesota Statutes 2006, section 290A.04, subdivision 2, is repealed effective for refunds based on property taxes payable in 2009 and thereafter.

**ARTICLE 2**

**PROPERTY TAXES**

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 126C.41, subdivision 2, is amended to read:

Subd. 2. **Retired employee health benefits.** A district may levy an amount up to the amount the district is required by the collective bargaining agreement in effect on March 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable, before July 1, 1992, or in the case of a school district located within the taconite tax relief area defined in section 273.134, before July 1, 1998, if a sunset clause is in effect for the current collective bargaining agreement. The total amount of the levy each year may not exceed \$600,000.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 3. 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 assessment sales ratio study under this subdivision must take into account that changed classification as soon as practicable. A change in status from homestead to nonhomestead or from nonhomestead to homestead is not a change under this subdivision. 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. 4. Minnesota Statutes 2006, section 216B.1646, is amended to read:

**216B.1646 RATE REDUCTION ADJUSTMENT; PROPERTY TAX REDUCTION CHANGE.**

(a) The commission shall, by any method the commission finds appropriate, ~~reduce~~ adjust the rates each ~~electric~~ utility subject to rate regulation by the commission charges its customers to reflect, on an ongoing basis, the amount by which each utility's property tax, including the state general tax, if applicable, on the personal property of its electric system from taxes payable in 2001 to taxes payable in 2002 is reduced or pipeline system transporting or distributing natural gas is changed under this act. The commission must ensure that, to the extent feasible, each dollar of personal property tax ~~reduction allocated to Minnesota consumers retroactive to January 1, 2002, change in taxes payable in 2009 and subsequent years results in a dollar of savings adjustment to the utility's customers rates.~~ A utility may voluntarily pass on any additional property tax savings allocated in

~~the same manner as approved by the commission under this paragraph. The adjustment under this paragraph is outside of a general rate case proceeding under section 216B.16.~~

(b) ~~By April 10, 2002,~~ Each utility ~~shall~~ may submit a filing to the commission containing:

(1) certified information regarding the utility's property tax ~~savings~~ change allocated to Minnesota retail customers; and

(2) a proposed method of ~~passing these savings on~~ adjusting rates to Minnesota retail customers.

The utility shall provide the information in clause (1) to the commissioner of revenue at the same time. The commissioner shall notify the commission within 30 days as to the accuracy of the property tax data submitted by the utility.

(c) For purposes of this section, "personal property" means tools, implements, and machinery of ~~the generating plant. It does not apply to transformers, transmission lines, distribution lines, or any other tools, implements, and machinery that are part of an electric substation, wherever located~~ an electric system or of a pipeline system transporting or distributing natural gas.

Sec. 5. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 85. **Modular homes used as models by dealers.** (a) A modular home is exempt if it:

(1) is owned by a modular 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. 6. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 86. **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 the 2007 assessment payable in 2008 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 87. **Apprenticeship training facilities.** All or a portion of a building used exclusively for a state-approved apprenticeship program through the Department of Labor and Industry is exempt if (1) it is owned and operated by a nonprofit corporation, (2) the program participants receive no compensation, and (3) it is located in the Minneapolis and St. Paul standard metropolitan statistical area as determined by the 2000 federal census or in a city outside the Minneapolis and St. Paul standard metropolitan statistical area that has a population of 10,000 or greater according to the most recent federal census. This exemption does not include land.

**EFFECTIVE DATE.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 8. 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. 9. 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. 10. Minnesota Statutes 2006, section 273.111, subdivision 6, is amended to read:

Subd. 6. **Agricultural use.** (a) 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 percent of the total family income of the owner is derived therefrom, or (i) the total production income including rental from the property is \$300 plus \$10 per tillable acre no less than an amount equal to five percent of the per acre agricultural value determined under subdivision 16 for the county where the property is located for the previous assessment year, multiplied by the number of acres in the parcel subject to this section; or

(ii) the amount of total farm expenses shown on Schedule F of the property owner's federal income tax return exceeds 25 percent of the federal adjusted gross income of the owner for federal tax purposes; 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, plus rental income from the property.

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.

(b) Property that qualified under this section for the 2007 assessment shall not be disqualified in any of the assessment years 2008 to 2012 because of a failure to meet the requirements of this section.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009 and thereafter, provided that property that qualified under Minnesota Statutes 2006, section 273.111, for the 2007 assessment shall not be disqualified in any of the assessment years 2008 to 2012 because of a failure to meet the requirements of this section.

Sec. 11. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 16. **Agricultural value determination.** (a) In order to account for the presence of nonagricultural influences that may affect the sales of agricultural land, the commissioner of revenue shall develop a fair and uniform method of determining, for each county in the state, an agricultural value that is consistent with subdivision 4. The commissioner shall annually assign the resulting agricultural value to each county, and this value shall be used as the agricultural value for the county under this section.

(b) When property classified as agricultural is sold and the purchaser changes its use in a manner that would result in a change of classification of the property, and the sale price exceeds the agricultural value determined under paragraph (a), the assessor and the commissioner must review the sale along with other appropriate sales information to determine if there are nonagricultural influences on the value. If upon review it is determined that nonagricultural factors have affected the value, the resulting sales ratio shall be excluded from use in any study measuring agricultural value and applied to a study measuring market value.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2009, payable in 2010 and thereafter.

Sec. 12. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 17. **Implementation of program.** This section must be applied to eligible properties by all county assessors, beginning no later than assessments for taxes levied in 2008, payable in 2009, and thereafter, unless the commissioner of revenue determines that a county is unable to comply with this requirement, in which case the county must implement it for the earliest assessment year determined by the commissioner to be feasible.

Sec. 13. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 18. **Applications; denied by county.** For applications filed for the 2007 and 2008 assessment years, all applications for deferment of taxes and assessment under this section that have been denied by the county shall be forwarded to the commissioner of revenue by the county assessor within 30 days of denial. The assessor shall also provide the commissioner with a list

of any property owners that requested an application and were denied, including names and addresses, and the reason for the denial. For the purpose of monitoring compliance with this section, the commissioner shall compile a report identifying all denied applications and requests for applications that were denied, the reason for the denial, and any commissioner action or recommendation. A report must be submitted to the chairs of the house and senate tax committees on or before February 1, 2008, and February 1, 2009, in compliance with Minnesota Statutes, sections 3.195 and 3.197.

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

Sec. 14. 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:

(1) unintentionally or accidentally destroyed, or

(2) 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. 15. 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 property consists of at least 40 acres including undivided government lots and correctional 40's, or at least 20 acres if used exclusively and intensively for raising or cultivating agricultural products as defined under section 273.13, subdivision 23, paragraph (e);

~~(2)~~ (2) 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)~~ (3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause ~~(1)~~ (2), are Minnesota residents;

~~(3)~~ (4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

~~(4)~~ (5) 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.

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) the property consists of at least 40 acres including undivided government lots and correctional 40's, or at least 20 acres if used exclusively and intensively for raising or cultivating agricultural products as defined under section 273.13, subdivision 23, paragraph (e);

~~(1)~~ (2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

~~(2)~~ (3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

~~(3)~~ (4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

~~(4)~~ (5) 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.

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 assessment year 2007, taxes payable in 2008 and thereafter.

Sec. 16. 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. 17. 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 assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 18. 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~~ 20 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 property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 19. 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.

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~~ \$50,000 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 must contain 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~~ \$600,000 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~~ 0.50 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.** The portion of this section modifying the market value and class rate of the first tier of class 1c resorts and striking the language relating to class 1b veterans' homesteads is effective for taxes payable in 2008 and thereafter. The remaining portion of this section relating to class 1c resorts is effective for taxes payable in 2009 and thereafter.

Sec. 20. 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. 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 .65 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.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 21. 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. 22. 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), or subdivision 23, paragraph (b),

clause (1), 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 must contain 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 ~~1e-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 class ~~1e-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 be designated as class 3a. The owner of property desiring designation as class ~~1e-0f~~ 4c property must provide guest registers or other records demonstrating that the units for which class ~~1e-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, (4) conference center or meeting room, and ~~(4)~~ (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 ~~1e-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~~ three acres of land owned and used by a nonprofit community service oriented organization; ~~provided that~~ and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) 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;~~ or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) 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;~~ and

(D) "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 qualifying under item (i) 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.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(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.** The portion of this section relating to class 4c resorts in paragraph (d), clause (1), is effective for assessment year 2008 and thereafter, for taxes payable in 2009 and thereafter. The portion of this section relating to nonprofit community service oriented organizations is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter, except that the application date in paragraph (d), clause (3), item (ii), for the 2007 assessment is extended to September 1, 2007.

Sec. 23. 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 assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 24. Minnesota Statutes 2006, section 273.13, is amended by adding a subdivision to read:

Subd. 34. **Homestead of disabled veteran.** (a) All or a portion of the market value of property qualifying for homestead classification under subdivision 22 or 23 is excluded in determining the property's taxable market value if it serves as the homestead of a military veteran, as defined in section 197.447, who has a service-connected disability of 70 percent or more. To qualify for exclusion 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 service-connected disability.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), 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 exclusion shall carry over to the benefit of the veteran's spouse until such time as the spouse sells, transfers, or otherwise disposes of the property.

(d) 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 the valuation exclusion under this subdivision.

(e) A property qualifying for a valuation exclusion under this subdivision is not eligible for the credit under section 273.1384, subdivision 1.

(f) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership.

**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 273.1315, 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~~ subdivision 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.** (a) 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.

(b) 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 subdivision 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. 26. Minnesota Statutes 2006, section 275.025, subdivision 3, is amended to read:

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class 1c under section 273.13, subdivision 22, and all class 4c(1) and 4c(3)(ii) property under section 273.13, subdivision 25, except that the first \$76,000 of market value of each noncommercial class 4c(1) property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 27. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision to read:

Subd. 6c. **Joint public hearing; nonmetropolitan county, cities, and school districts.** (a) Notwithstanding any other provision of law, the county board may hold a joint hearing with the governing bodies of all taxing authorities located wholly or partially within the county that are required to hold a public hearing under this section, excluding special taxing districts. The primary purpose of the joint hearing is for taxpayer efficiency by allowing taxpayers to come to a single public hearing to discuss the budgets and proposed property tax levies of most taxing authorities that impact the taxes on their property.

(b) This subdivision applies only to counties located outside the metropolitan area as defined under section 473.121, subdivision 2. If a city or school district is located partially within the metropolitan area, that taxing jurisdiction may participate in its nonmetropolitan county's joint

hearing, if it so chooses.

(c) Upon the adoption of a resolution by the county board to hold a joint public hearing, the county shall notify each city with a population over 500 and each school district located wholly or partially within the county of its intention to hold the joint hearing and ask each of the taxing authorities if it would like to participate. Participation is voluntary, and participation in the joint hearing is in lieu of the requirement for the governing body to hold a separate public hearing under subdivision 6. If a participating city or school district is located in more than one county, the hearing under this subdivision is in lieu of the requirement to hold a separate public hearing if 75 percent or more of that city or school district's previous year's net tax capacity is in the county where the hearing is held.

(d) The initial joint hearing must be held on the first Thursday in December. The county may hold an additional joint hearing on another date before December 20 if the majority of the participating taxing authorities want an additional hearing.

The county board shall obtain a meeting space to hold the joint hearing, preferably at a public building such as the courthouse, school, or community center. The location shall be as centrally located within the county as possible. The meeting shall generally be structured in the following general manner:

- (1) 30 to 60 minutes must be devoted to discussion of the county's budget and levy;
- (2) 30 to 60 minutes must be devoted to discussion of the city's budget and levy, with each city's discussion held in a separate room, preferably in the same building;
- (3) 30 to 60 minutes must be devoted to discussion of the school district's levy, with each school district's discussion held in a separate room, preferably in the same building; and
- (4) during the last 30 minutes the governing bodies must reassemble in a joint meeting to entertain any follow-up questions that have arisen from the separate discussions.

The county shall attempt to keep the total public hearing to within three hours.

(e) In lieu of the public advertisement requirement in subdivision 5a, the county shall have a single advertisement listing the county, each city with a population of over 500, and each school district participating in the joint public hearing listing. Any taxing authority participating under this subdivision is exempt from the separate public advertisement requirement under subdivision 5a. The cost of the joint hearing advertisement shall be apportioned in the same manner provided in subdivision 4. The notice must be published not less than two business days nor more than six business days before the hearing. The newspaper selected must be one of general interest and readership in the county, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week. The advertisement must be in the following form:

"NOTICE OF JOINT PUBLIC HEARING  
PROPOSED TOTAL PROPERTY TAXES  
FOR PARTICIPATING TAXING AUTHORITIES

The property tax amounts below compare that portion of the current budget levied in property taxes

in the county, cities, and school districts for (year) with the property taxes the county, cities, and school districts propose to collect in (year) for those taxing authorities participating in the joint public hearing.

<u>Taxing Authority</u>	<u>(Year) Property Taxes</u>	<u>Proposed (Year) Property Taxes</u>	<u>Change (Year) - (Year)</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>

ATTEND THE JOINT PUBLIC HEARING

All residents are invited to attend the joint public hearing of the county/cities/school districts to express your opinions on the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)

(Location/Address)

If the discussion cannot be completed, and another hearing is scheduled, a time and place for that hearing will be announced at this hearing. You are also invited to send your written comments to the county auditor. If the comments relate to the city or school district's levy, please identify that on the envelope so the county auditor can direct the correspondence to the right jurisdiction."

The formal adoption of the taxing authority's levy must not be made at the joint public hearing held under this subdivision. The formal adoption must be made at one of the regularly scheduled meetings of the taxing authority's governing body. However, the property tax levy amount that is subsequently adopted cannot exceed the amount shown to taxpayers at the joint public hearing.

**EFFECTIVE DATE.** This section is effective for hearings held in 2007 and thereafter.

Sec. 28. Minnesota Statutes 2006, section 275.066, is amended to read:

**275.066 SPECIAL TAXING DISTRICTS; DEFINITION.**

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 115.18 to 115.37;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;

- (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) Metropolitan Council under sections 473.123 to 473.549;
- (15) Metropolitan Airports Commission under sections 473.601 to 473.680;
- (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- (17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;
- (21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;
- (22) emergency medical services special taxing districts under section 144F.01;
- (23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251;
- (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12; ~~and~~
- (25) an airport authority created under section 360.0426; and
- (26) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 29. Minnesota Statutes 2006, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately

stated. The amounts due all other special taxing districts, if any, may be aggregated except that 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 listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, ~~calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4) before credits;~~
- ~~(4) a total of the following aids:~~
  - ~~(i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;~~
  - ~~(ii) local government aids for cities, towns, and counties under sections 477A.011 to 477A.04;~~  
and
  - ~~(iii) disparity reduction aid under section 273.1398;~~
- ~~(5) (4) for homestead residential and agricultural properties, the credits under section 273.1384;~~
- ~~(6) (5) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and~~
- ~~(7) (6) the net tax payable in the manner required in paragraph (a).~~

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the

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

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

Sec. 30. Minnesota Statutes 2006, section 278.05, subdivision 6, is amended to read:

**Subd. 6. Dismissal of petition; exclusion of certain evidence.** (a) In cases where the petitioner contests the valuation of income-producing property, information, including income and expense figures in the form of (1) year-end financial statements for the year prior to the assessment date, (2) year-end financial statements for the year of the assessment date, and (3) rent rolls on the assessment date including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable areas in the form of net rentable square footage of the building or buildings, and anticipated income and expenses in the form of proposed budgets for the year subsequent to the year of the assessment date, for income-producing property must be provided to the county assessor no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4. Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at the time that the information was due, or (2) the petitioner was not aware of or informed of the requirement to provide the information.

If the petitioner proves that the requirements under clause (2) are met, the petitioner has an additional 30 days to provide the information from the time the petitioner became aware of or was informed of the requirement to provide the information, otherwise the petition shall be dismissed.

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

**EFFECTIVE DATE.** This section is effective for petitions filed on or after July 1, 2007.

Sec. 31. 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 into July 1, 2007, and thereafter.

Sec. 32. 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.

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

Sec. 33. Minnesota Statutes 2006, section 289A.08, subdivision 13, is amended to read:

Subd. 13. **Long and short forms; local use tax instructions; property tax refund information.** (a) The commissioner shall provide a long form individual income tax return and may provide a short form individual income tax return. The returns shall be in a form that is consistent with the provisions of chapter 290, notwithstanding any other law to the contrary. The nongame wildlife checkoff provided in section 290.431 and the dependent care credit provided in section 290.067 must be included on the short form.

(b) The commissioner must provide information on local use taxes in the individual income tax instruction booklet. The commissioner must provide this information in the same section of the booklet that provides information on the state use tax.

(c) The commissioner must refer to the property tax refunds allowed under chapter 290A on the front cover of the individual income tax instruction booklet, as well as information within the booklet on income eligibility for the homestead and renter refunds, and maximum refund amounts allowed in the current year.

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

Sec. 34. Minnesota Statutes 2006, section 290A.14, is amended to read:

**290A.14 PROPERTY TAX STATEMENT.**

The county treasurer shall prepare and send a sufficient number of copies of the property tax statement to the owner, and to the owner's escrow agent if the taxes are paid via an escrow account, to enable the owner to comply with the filing requirements of this chapter and to retain one copy as

a record. The property tax statement, in a form prescribed by the commissioner, shall identify the availability of the refunds under this chapter on the front of the statement in a prominent font that is larger than the predominant font of the statement. The statement shall also indicate the manner in which the claimant may claim relief from the state under both this chapter and chapter 290B, and the amount of the tax for which the applicant may claim relief. The statement shall also indicate if there are delinquent property taxes on the property in the preceding year. 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.

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 360.031, is amended to read:

**360.031 DEFINITION OF MUNICIPALITY.**

For the purposes of sections 360.031 to 360.045, ~~inclusive~~ (except section 360.042), ~~only~~, "municipality" means any county, city, ~~or~~ town, or airport authority of this state.

Sec. 37. **[360.0425] GENERAL POWERS OF AUTHORITY.**

An airport authority created under section 360.0426 has all the powers granted a municipality under sections 360.032 to 360.046.

Sec. 38. **[360.0426] CREATION OF AN AIRPORT AUTHORITY; DISSOLUTION.**

Subdivision 1. **Members; definition.** A city together with another city, county, town, or an Indian tribe may create an airport authority. For purposes of this chapter, "airport authority" means a governmental entity created pursuant to this section for the purpose of acquiring, establishing, constructing, maintaining, improving, and operating airports and other air navigation facilities.

Subd. 2. **Process to establish authority.** A city that owns an airport by joint resolution together with other willing governmental units may create an airport authority that is authorized to exercise its

functions upon passage of a joint resolution by each of their governing bodies, including a proposed date for the first meeting of the authority.

Subd. 3. **Airport authority commission.** The powers of the airport authority shall be vested in the airport authority commissioners. The commission shall consist of at least five commissioners. Each governmental unit that is a member of the authority shall be represented by at least one commissioner. If fewer than five governmental units are members of the authority, there must be two commissioners appointed from each member unit of government. The terms of each commissioner are three years, provided that the length of the initial appointments must be staggered so that the terms of approximately one-third of the commissioners expire each calendar year.

Subd. 4. **Appointment of commissioners.** The governmental body of each member governmental unit shall appoint a resident of that governmental unit to be a commissioner of the airport authority. Upon vacancy of a commissioner prior to the end of a normal term, the appropriate governmental body shall appoint a commissioner to fill the unexpired term.

Subd. 5. **Compensation; meetings; officers.** Commissioners shall receive no compensation for services, but are entitled to payment for necessary expenses, including travel expenses, incurred in the discharge of the commissioners' duties.

The commission shall establish a regular meeting schedule. A majority of the commissioners of the authority constitutes a quorum for purposes of conducting business of the authority. Action may be taken by the majority vote of not less than a majority of the commissioners present, providing there is a quorum.

The commission shall elect a chair, a vice-chair, a secretary, and a treasurer at its organizational meeting. The authority may hire an executive director, a legal advisor, technical experts, and other employees, permanent and temporary, as it may require.

Subd. 6. **Process to increase size of authority.** An airport authority may be increased in size by adding additional governmental entities if each of the additional entities and each of the governmental entities currently included in the existing authority adopt a resolution agreeing to the size increase.

Subd. 7. **Process to decrease size of authority.** An airport authority may be decreased in size if each of the governmental entities that are members of the authority and the current commissioners consent to change and make provisions for the retention or disposition of its assets and liabilities.

Subd. 8. **Process to dissolve authority.** An airport authority may be dissolved after payment of all debts and adoption of a joint resolution of the governing bodies of all of the participating units of government. Before dissolution, the property of the airport authority must be sold, transferred, or distributed as agreed to by the participating units of government. Any remaining funds must be distributed to the general funds of the participating units of government in proportion to their relative shares of the most recent levy under section 360.0427.

**Sec. 39. [360.0427] TAX LEVY MAY BE CERTIFIED BY AN AIRPORT AUTHORITY.**

In any year in which it imposes a property tax levy under sections 275.065 to 275.07, an airport authority must submit its proposed levy to the governing body of the municipality that contains the airport. The municipal governing body may approve or modify the amount of the levy, and, when it has determined the amount, the authority must certify to the auditor of the county where the airport is

located the amount to be levied on all taxable property within the boundaries of the airport authority.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 40. Minnesota Statutes 2006, section 435.193, is amended to read:

**435.193 HARDSHIP ASSESSMENT DEFERRAL FOR SENIORS OR, DISABLED, OR MILITARY PERSONS.**

(a) Notwithstanding the provisions of any law to the contrary, any county, statutory or home rule charter city, or town, making a special assessment may, at its discretion, defer the payment of that assessment for any homestead property:

(1) owned by a person 65 years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments; or

(2) owned by a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, as defined in section 190.05, subdivision 5b or 5c, as stated in the person's military orders, for whom it would be a hardship to make the payments.

(b) Any county, statutory or home rule charter city, or town electing to defer special assessments shall adopt an ordinance or resolution establishing standards and guidelines for determining the existence of a hardship and for determining the existence of a disability, but nothing herein shall be construed to prohibit the determination of hardship on the basis of exceptional and unusual circumstances not covered by the standards and guidelines where the determination is made in a nondiscriminatory manner and does not give the applicant an unreasonable preference or advantage over other applicants.

**EFFECTIVE DATE.** This section is effective the day following final enactment, and applies to any special assessment for which payment is due on or after that date.

Sec. 41. Laws 1973, chapter 393, section 1, as amended by Laws 1974, chapter 153, section 1, is amended to read:

**Section 1. MINNEAPOLIS, CITY OF; STREET MAINTENANCE AND LIGHTING.**

Notwithstanding the provisions of any statute or the charter of the city of Minneapolis to the contrary, the city council of said city may provide that all or part of the costs of construction, operation, and maintenance of streets and street lighting within the city may hereafter be paid from the general revenues of the city of Minneapolis; provided that the portion of the costs assessable against nongovernmental real property exempt from ad valorem taxation may be levied as a special assessment against the property.

Sec. 42. 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. 43. 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. 44. Laws 2006, chapter 236, article 1, section 21, is amended to read:

Sec. 21. **EXCHANGE OF TAX-FORFEITED LAND; PRIVATE SALE; ITASCA COUNTY.**

(a) For the purpose of a land exchange for use in connection with a proposed steel mill in Itasca County referenced in Laws 1999, chapter 240, article 1, section 8, subdivision 3, title examination and approval of the land described in paragraph (b) shall be undertaken as a condition of exchange of the land for class B land, and shall be governed by Minnesota Statutes, section 94.344, subdivisions 9 and 10, and the provisions of this section. Notwithstanding the evidence of title requirements in Minnesota Statutes, section 94.344, subdivisions 9 and 10, the county attorney shall examine one or more title reports or title insurance commitments prepared or underwritten by a title insurer licensed to conduct title insurance business in this state, regardless of whether abstracts were created

or updated in the preparation of the title reports or commitments. The opinion of the county attorney, and approval by the attorney general, shall be based on those title reports or commitments.

(b) The land subject to this section is located in Itasca County and is described as:

(1) Sections 3, 4, 7, 10, 14, 15, 16, 17, 18, 20, 21, 22, 23, 26, 28, and 29, Township 56 North, Range 22 West;

(2) Sections 3, 4, 9, 10, 13, and 14, Township 56 North, Range 23 West;

(3) Section 30, Township 57 North, Range 22 West; and

(4) Sections 25, 26, 34, 35, and 36, Township 57 North, Range 23 West.

(c) Riparian land given in exchange by Itasca County for the purpose of the steel mill referenced in paragraph (a), is exempt from the restrictions imposed by Minnesota Statutes, section 94.342, subdivision 3.

(d) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Itasca County may sell, by private sale, any land received in exchange for the purpose of the steel mill referenced in paragraph (a), under the remaining provisions of Minnesota Statutes, chapter 282. The sale must be in a form approved by the attorney general.

(e) Notwithstanding Minnesota Statutes, section 284.28, subdivision 8, or any other law to the contrary, land acquired through an exchange under this section is exempt from payment of three percent of the sales price required to be collected by the county auditor at the time of sale for deposit in the state treasury.

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

**Sec. 45. FISCAL DISPARITIES STUDY.**

The commissioner of revenue shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program. On or before February 1, 2009, the commissioner shall make a report to the chairs of the house of representatives and senate tax committees consisting of the findings of the study and any recommendations resulting from the study.

The study must consider to what extent the program is meeting the following goals, and what changes could be made to the program in the furtherance of meeting those goals:

(1) reducing the extent to which the property tax encourages development patterns that do not make cost-effective use of public infrastructure or impose other high public costs;

(2) ensuring that the benefits of economic growth of the region are shared throughout the region, especially for growth that results from state and/or regional decisions;

(3) improving the ability of each jurisdiction within the region to deliver services at a level commensurate with its tax effort;

(4) compensating jurisdictions containing properties that provide regional benefits for the costs those properties impose on their host jurisdictions in excess of their tax payments;

- (5) promoting a fair distribution of property tax burdens across jurisdictions of the region; and
- (6) reducing the economic losses that result from competition among communities for commercial-industrial tax base.

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

**Sec. 46. CITY OF BROOKLYN CENTER; PARTICIPATION IN CRIME-FREE MULTIHOUSING PROGRAM.**

(a) In addition to the requirements of Minnesota Statutes, section 273.128, if property located in the city of Brooklyn Center qualifies under paragraph (b), the owners or managers must complete the three phases of the city's crime-free multihousing program and the qualifying property must be annually certified by the police as participating in the program. If a qualifying property is not certified within one year after it is first determined to be a qualifying property under paragraph (b), or does not annually maintain its certification in the program, the city shall notify the property owner that the qualifying property must comply with the requirements of this section to maintain its classification as class 4d property. If a qualifying property is not in compliance within one year after receiving the notice from the city, the city shall issue a second notice and require the owners to enter into a plan to achieve compliance within one year. If, upon expiration of the one-year time period, the qualifying property has not been certified by the police as completing the program, the city shall notify the commissioner of the Housing Finance Agency and the commissioner shall remove the property from the list of class 4d properties certified to the assessor under Minnesota Statutes, section 273.128, subdivision 3. Once removed from the list, the property is not eligible for class 4d classification until it complies with this section and its compliance has been certified to the Housing Finance Agency by the city. Certification to the Housing Finance Agency must be made by May 15 to be effective for taxes payable in the following year.

(b) A property is a qualifying property for purposes of this section's requirements if it satisfies each of the following requirements:

- (1) the city offers a crime-free multihousing program through its city police;
- (2) over the preceding three-year period, the number of police calls to the property exceeded the city's average number of calls for multiunit rental properties for the period by at least 25 percent, adjusted for the number of rental units;
- (3) the police department has requested, in writing, the owners or managers of the property to enroll in the crime-free multihousing program and the owners or managers refused or failed to enroll within 60 days after the request, or failed to complete phases one and three within 90 days and all three phases of the program within a one-year time period; and
- (4) the governing body of the city, by resolution, determines the property is a qualifying property under clauses (1) to (3).

(c) Calls for police or emergency assistance in response to domestic abuse or medical assistance shall not be counted toward the number of calls in paragraph (b), clause (2). For purposes of this section, "domestic abuse" has the meaning given in Minnesota Statutes, section 518B.01, subdivision 2.

(d) Low-income qualifying rental housing property classified as class 4d property for taxes

payable in 2007 must meet the requirements of this section by May 15, 2010.

**EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after compliance by the governing body of the city of Brooklyn Center and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies to property taxes levied in 2007, payable in 2008, and thereafter.

**Sec. 47. CLAIR A. NELSON MEMORIAL FOREST, LAKE COUNTY; TEMPORARY SUSPENSION OF APPORTIONMENT OF PROCEEDS FROM TAX-FORFEITED LANDS.**

(a) Upon approval of an affected political subdivision within Lake County, the Lake County Board may suspend the apportionment of the balance of net proceeds from tax-forfeited lands within the affected political subdivision under Minnesota Statutes, section 282.08, clause (4), item (iii), and retain the net proceeds. The authority under this paragraph is available until Lake County suspends the apportionment of net proceeds subject to item (iii) in the amount of \$2,200,000 plus any interest costs incurred by the county to purchase land described in this section. The money received by Lake County is to reimburse the county for the purchase in 2006 of 6,085 acres of forest land named the Clair A. Nelson Memorial Forest.

(b) Any revenue derived from acquired land that was reimbursed under paragraph (a) is subject to apportionment as provided in Minnesota Statutes, section 282.08.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006.

**Sec. 48. LAKEVIEW CEMETERY ASSOCIATION.**

Subdivision 1. **Authorized.** Any two or more of the following cities and towns in Itasca County may enter into a joint powers agreement under Minnesota Statutes, section 471.59, to establish the Lakeview Cemetery Association with the powers and duties of a cemetery association under Minnesota Statutes, chapter 306: the cities of Bovey, Calumet, Coleraine, Marble, and Taconite, and the towns of Greenway, Iron Range, Lawrence, and Trout Lake.

Subd. 2. **Additions; withdrawals.** (a) A city or town listed in subdivision 1 that does not join the association at the time of the initial agreement may join as provided in the joint powers agreement, or if the joint powers agreement does not provide for later additions, by providing the association a copy of the adopted resolution to join. If the joint powers agreement does not provide for adding members, a city or town that joins after the initial agreement is effective, may join prior to July 1 of the levy year, for taxes payable in the following year.

(b) A city or town may withdraw from the association as otherwise provided in the joint powers agreement, or providing to the association a copy of the adopted resolution of the city or town, prior to July 1 of the levy year for taxes payable in the following year.

Subd. 3. **Operation; tax levy.** The joint powers agreement for the association may provide for a uniform tax rate to be levied against all taxable properties located within each participating city or town. The maximum amount that may be levied by all participating cities and towns combined shall not exceed a total of \$200,000 per year. If levied, the tax is in addition to all other taxes permitted to be levied on the property, including taxes permitted to be levied for cemetery purposes by a participating city or town. The levy under this section must be disregarded in the calculation of all other rate or per capita levy limitations imposed by law. One of the cities or towns within the

association, chosen by the members of the association, shall certify a tax levy to the Itasca County auditor. When collected, the Itasca County auditor shall pay the Lakeview Cemetery Association directly.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 49. **TAX-FORFEITED LANDS LEASE; ITASCA COUNTY.**

Notwithstanding Minnesota Statutes, section 282.04, or other law to the contrary, the Itasca County auditor may lease tax-forfeited land to Minnesota Steel for a period of 20 years, for use as a tailings basin and buffer area. A lease entered under this section is renewable.

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

Sec. 50. **HAM LAKE FIRE; PROPERTY TAX REDUCTION; STATE REIMBURSEMENT.**

Subdivision 1. **Property tax reduction.** The owner of improved property that was destroyed in the Ham Lake fire in 2007 may apply to the Cook County assessor to receive a reduction in the amount of taxes payable on the property for 2007 and 2008. The reduction provided under this section must be granted if 50 percent or more of the homestead dwelling or nonhomestead structure, as established by the county assessor, has been destroyed by the fire and related effects and the homestead is uninhabitable or the other structure is not useable. For property that meets the requirements of this section, the tax liabilities for the second half of property taxes due in October 2007 and for all property taxes due in 2008 are reduced to zero. If application is made following payment of all property taxes due for 2007, the amount of the reduction shall be refunded to the taxpayer by the county treasurer as soon as practical. A reduction granted under this section is in lieu of a reduction under Minnesota Statutes, section 273.123. The property owner must apply by April 15, 2008, to be eligible for a reduction under this section.

Subd. 2. **State reimbursement.** The Cook County auditor shall calculate the taxes payable in 2008 based on the assessment made on January 2, 2007, prior to granting the reduction provided in subdivision 1, and the reduction shall apply to the computed tax. When practical, the auditor shall identify the reduction on the tax statement sent to eligible properties. The difference between the computed tax and the tax after the reduction, for both taxes payable in 2007 and 2008, shall be certified by the county auditor to the commissioner of revenue in a manner prescribed by the commissioner. The commissioner shall make the payments to the county auditor for settlement to the taxing jurisdictions containing the property for the second half of 2007 payments and for both 2008 payments in the same proportion that the ad valorem tax is distributed.

Subd. 3. **Computation of credits.** The amounts of the market value homestead credit provided in Minnesota Statutes, section 273.1384, shall be computed on the tax determined before the reduction under subdivision 1. For purposes of the property tax refund, property taxes payable, as defined in Minnesota Statutes, section 290A.03, subdivision 13, must be computed upon the tax determined under subdivision 1.

Subd. 4. **Appropriation.** \$500,000 is appropriated from the general fund to the commissioner of revenue to make the payments required by this section. This amount does not cancel, but remains available until June 30, 2009.

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

**Sec. 51. IMPROVING PUBLIC AWARENESS AND PARTICIPATION IN PROPERTY TAX RELIEF PROGRAMS.**

The commissioner of revenue, in consultation with county officials, shall make efforts to improve the public's awareness of and participation in property tax refund programs, including the regular program for homeowners and renters and the additional property tax refund program, and the senior citizen's property tax deferral program.

The commissioner shall consider options for improving public awareness, including, but not limited to:

- (i) an insert in the property tax statement;
- (ii) more prominent and direct references to the programs on the property tax statement;
- (iii) notification on the property tax statement envelopes or folders;
- (iv) public service announcements, including print, broadcast, and Internet; and
- (v) information and handouts at the truth in taxation hearings and at sites where tax forms are made available.

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

**Sec. 52. REPEALER.**

- (a) Laws 1973, chapter 393, section 2, is repealed.
- (b) Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended by Laws 2005, First Special Session chapter 3, article 1, section 36, is repealed, effective for the same levy year in which the association initially levies under section 48.

### ARTICLE 3

#### CORPORATE FRANCHISE 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, 2007.

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 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). 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 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;

(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;

(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; and

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2007, except the new clause (23) is effective for taxable years beginning after December 31, 2006,

for disallowed expenses assessed after the date of final enactment of this act.

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 90 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 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) 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, 2007.

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	9.5	9.5
2009	84	8	8
2010	<del>87</del> <u>95</u>	<del>6.5</del> <u>2.5</u>	<del>6.5</del> <u>2.5</u>

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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.

#### ARTICLE 4

#### INDIVIDUAL INCOME TAXES

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 289A.12, subdivision 4, is amended to read:

Subd. 4. **Returns by persons, corporations, cooperatives, governmental entities, or school districts.** (a) The commissioner may by notice and demand require to the extent required by section 6041 of the Internal Revenue Code, a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 289A.09, subdivision 2, or on account of earnings of \$10 or more distributed to its members by savings associations or credit unions chartered under the laws of this state or the United States, (1) to file with the commissioner a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and the return is filed only with the commissioner of internal revenue under the applicable filing and informational reporting requirements of the Internal Revenue Code) with respect to the payments in excess of the amounts named, giving the names and addresses of the persons to whom the payments were made, the amounts paid to each, and (2) to make a return with respect to the total number of payments and total amount of payments, for each category of income named, which were in excess of the amounts named. This subdivision does not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

(b) For payments for which a return is covered by paragraph (a), regardless of whether the commissioner has required filing under paragraph (a), the payor must file a copy of the return with the commissioner if:

(i) the return is for a payment made to a Minnesota resident, to a recipient with a Minnesota address, or for activity occurring in the state of Minnesota; and

(ii) the payment is for wages, salaries, or other compensation for services provided. The commissioner may require this information to be filed in electronic or another form that the commissioner determines is appropriate, notwithstanding the provisions of paragraph (c).

(c) A person, corporation, or cooperative required to file returns under this subdivision must file the returns on magnetic media if magnetic media was used to satisfy the federal reporting requirement under section 6011(e) of the Internal Revenue Code, unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

**EFFECTIVE DATE.** This section is effective for forms required to be filed by federal law after December 31, 2008.

Sec. 3. 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, 2006~~ 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~~ 2007. 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~~ 2008.

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. 4. 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, for disallowed expenses assessed after the date of final enactment of this act.

Sec. 5. 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) to the extent included in federal taxable income, 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) to the extent included in federal taxable income, 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 retroactively for tax years beginning after December 31, 2004, except that clause (17) is effective for tax years beginning after December 31, 2006.

Sec. 6. 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~~ 2007, "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~~ 2008, "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. 7. 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 or C corporation.

(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) Qualified taxpayers may apply to the commissioner of employment and economic development for certification. 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 qualified taxpayers to tax credits 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 taxpayers 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 or C corporation. 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:
  - (i) manufacturing, processing, or assembling biotechnology or medical device products, including biotechnology and device products for use in agriculture;
  - (ii) conducting research in and development of biotechnology or medical device products or services; or
  - (iii) developing a new biotechnology or medical device 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 25 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. 8. 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 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. 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, fees, and penalties.** (a) Except as provided in this subdivision, 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 amount paid or incurred, whether by suit, agreement, or otherwise, to, or at the direction of, a government or entity described in paragraph (d) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

(b) Exception for amounts constituting restitution or paid to come into compliance with the law. Paragraph (a) does not apply to any amount which:

(1) the taxpayer establishes:

(i) constitutes restitution, including remediation of property for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law; or

(ii) is paid to come into compliance with any law which was violated or involved in the investigation or inquiry; and

(2) is identified as restitution or as an amount paid to come into compliance with the law, as the

case may be, in the court order or settlement agreement.

This paragraph does not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

(c) Paragraph (a) does not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (d) is a party.

(d) An entity is described in this paragraph if it is:

(1) a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, in connection with a qualified board or exchange, as defined in section 1256(g)(7) of the Internal Revenue Code, or;

(2) to the extent provided in federal regulations, a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, as part of performing an essential governmental function.

(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006, and for fines, fees, and penalties assessed after the date of enactment.

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 in paragraph (a) 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 December 31, 2007.

Sec. 12. 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~~ 2007, "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~~ 2008, "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. 13. 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.

**Sec. 14. 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 committees of the senate and house of representatives with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, no later than February 1, 2010. The report must also include information on the number and amount of payments received, and on the types of contractors making payments, grouped by specialty skills definitions provided in the North American Industry Classification System.

**ARTICLE 5**

**SALES AND USE TAX**

Section 1. 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 85 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(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 85 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

**EFFECTIVE DATE.** This section is effective beginning with June 2009 tax liabilities.

Sec. 2. 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 85 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 85 percent of the preceding May's liability or 78 85 percent of the average monthly liability for the previous calendar year.

**EFFECTIVE DATE.** This section is effective beginning with June 2009 tax liabilities.

Sec. 3. 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. 4. Minnesota Statutes 2006, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt as follows:

(1) For sales and purchases of capital equipment by the wood products industry, the tax is not imposed.

(2) 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) "Wood products industry" means manufacturers of pulp, paper, and paperboard; sawmills and planing mills; manufacturers of panel board including veneer, plywood, and reconstituted wood products such as particleboard, waferboard, and oriented strandboard; manufacturers of fabricated wood millwork; manufacturers of structural wood members; and manufacturers of prefabricated wood buildings and components. For purposes of this subdivision, "wood products industry" does not include logging; manufacturers of wood cabinets, furniture, office or store fixtures, toys and playground equipment, caskets, or miscellaneous wood products; manufacturers of wood containers; businesses engaged in wood preserving; the operation of timber tracts or tree farms; forest nurseries and the gathering of forest products; and forestry services related to timber production.

~~(11)~~ (12) 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. 5. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; ~~and~~

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and

(9) interior crates, partitions, calf hutches, cow mats and mattresses, and syringes and needles for livestock as defined in section 17A.03, subdivision 5.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

**EFFECTIVE DATE.** This section is effective beginning with sales and purchases made after June 30, 2007.

Sec. 6. Minnesota Statutes 2006, section 297A.69, subdivision 3, is amended to read:

Subd. 3. **Repair and replacement parts.** Repair and replacement parts, ~~except tires,~~ used for maintenance or repair of farm machinery, logging equipment, and aquaculture production equipment are exempt, if the part replaces a 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. 7. 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 June 30, 2007.

Sec. 8. Minnesota Statutes 2006, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Department of Administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

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

(10) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state; and

(11) the sale of railroad cars and engines and related equipment, including repair parts, used in a commuter rail transportation system operated under sections 174.80 to 174.90.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (11), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refund in the manner provided in section 297A.75. The total refunds paid in fiscal years 2008 and 2009 must not exceed \$2,734,000. The total refunds paid in fiscal years 2010 and 2011 must not exceed \$666,000.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2006.

Sec. 9. 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. 10. Minnesota Statutes 2006, section 297A.71, subdivision 23, is amended to read:

Subd. 23. **Construction materials for qualified low-income housing projects.** (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

- (1) the public housing agency or housing and redevelopment authority of a political subdivision;
- (2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;
- (3) a limited partnership in which the sole or managing general partner is an authority under clause (1) or an entity under clause (2) or (4);
- (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; or
- (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604, for a qualified low-income housing project described in paragraph (b), clause (5).

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

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

- (1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;
- (2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title

12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit;

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) 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, 2009.

Sec. 11. 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, and capital equipment incorporated into, 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 received certification from the Department of Employment and Economic Development that the legal reference and data center employs no less than 8,300 full-time equivalent workers at the facility;

(2) for each year that the owner of the legal reference and data center facility receives certification from the Department of Employment and Economic Development that no less than 8,300 full-time

equivalent worker residents are employed at the facility, the refund may be issued to the owner of the legal reference and data center facility 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 less than 8,300 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) to receive the refund, the owner of the legal reference and data center facility must initially apply to the Department of Employment and Economic Development for certification no later than one year from the final 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, 2010.

Sec. 12. Minnesota Statutes 2006, section 297A.75, subdivision 1, is amended to read:

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

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26;
- (9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (10) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (11) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37; ~~and~~
- (12) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;

(13) materials and supplies used or consumed in the construction of a legal reference and data center facility under section 297A.71, subdivision 40; and

(14) railroad cars and engines used in a commuter rail system under section 297A.70, subdivision 3, paragraph (a), clause (11).

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

Sec. 13. Minnesota Statutes 2006, section 297A.75, subdivision 2, is amended to read:

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

- (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
- (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;
- (5) for subdivision 1, clause (9), the owner of the qualified low-income housing project;
- (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; ~~and~~
- (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business;
- (8) for subdivision 1, clause (13), the owner of the legal reference and data center facility; and
- (9) for subdivision 1, clause (14), the owner of the commuter rail system.

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

Sec. 14. Minnesota Statutes 2006, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11), ~~or~~ (12), (13), or (14), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

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

Sec. 15. Minnesota Statutes 2006, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a

general sales tax if permitted by special law enacted prior to January 1, 2008, or if the political subdivision enacted and imposed the tax before the effective date of section 477A.016 and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles or a special excise tax on motor vehicles.

(d) From June 1, 2007, through December 31, 2010, a political subdivision must not advertise, promote, expend funds, or hold a referendum to support imposing a local option sales tax unless authorized by a special law enacted prior to June 1, 2007.

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

Sec. 16. Minnesota Statutes 2006, section 297B.03, is amended to read:

**297B.03 EXEMPTIONS.**

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

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

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

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

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

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

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

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

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

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

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

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

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

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

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

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

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 of \$37,931,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must 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 1987, chapter 168, section 2, is amended to read:

**Sec. 2. LODGING TAX IN TOWNS.**

Notwithstanding Minnesota Statutes, section 477A.016, or other law, the Cook county board may impose a tax of up to two percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court or resort, other than the renting or leasing of it for a continuous period of 30 days or more, located in the towns of Lutsen, Tofte, and Schroeder. The tax may be imposed in one or more of the towns. The tax may be imposed in a town only with the agreement of the town expressed by its voters at an annual or special meeting. The tax shall be collected by and its proceeds paid to the county. ~~The proceeds of the tax shall be dedicated for the construction, debt service, and maintenance of a public recreational facility within the towns. The proceeds of the tax must be used for the purpose of marketing and promoting tourism to the towns of Lutsen, Tofte, and Schroeder, and to fund a new Cook County Event and Visitors Bureau.~~

Sec. 19. 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 community centers, museums, interpretive centers, associated trails, and recreation areas, 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;

(3) construction and improvement to the Grand Marais Public Library;

(4) debt service to retire bonds for improvements to the Superior National Golf Course; and

(5) infrastructure and communications equipment for disaster mitigation and fire protection and prevention.

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. 20. 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~~ 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. 21. 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. 22. 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. 23. 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; 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. 24. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to read:

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

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

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

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

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

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

Sec. 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 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 \$12,000,000 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. **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 the day after compliance by the governing body of Cook County with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. **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;
- (2) development of regional parks and hiking and biking trails;
- (3) expenses of the North Mankato Taylor library;
- (4) lake improvement projects; and
- (5) riverfront development.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$6,000,000 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 \$6,000,000. 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 \$6,000,000 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. 29. **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. 30. **CITY OF ST. PAUL; LIQUOR AND RESTAURANT TAXES.**

(a) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Paul may, by resolution, levy in addition to taxes authorized by other law:

(1) a sales tax of not more than three percent on the gross receipts on retail on-sales of intoxicating liquor and fermented malt beverages described in Minnesota Statutes, section 473.592, provided that this tax may not be imposed if sales of intoxicating liquor and fermented malt beverages are exempt from taxation under Minnesota Statutes, chapter 297A; and

(2) a sales tax of not more than three percent on the gross receipts on all sales of food primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city. The commissioner of revenue may enter into appropriate agreements with the city to provide for the collection of these taxes by the state on behalf of the city. The commissioner may charge the city a reasonable fee for its collection from the proceeds of any taxes. These taxes shall be subject to the same interest penalties and enforcement provisions as the taxes imposed under Minnesota Statutes, section 473.592.

(b) The city may use revenues generated by the taxes imposed under paragraph (a) for any general fund purpose.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivision 3, but no tax permitted by this section may become effective before January 1, 2008.

**Sec. 31. 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.

**Sec. 32. 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 consists 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 subcommittee data in the form and manner that the subcommittee determines will facilitate discharging its duties under this section.

Subd. 5. **DOR report to subcommittee.** To assist the subcommittee in carrying out its duties under subdivision 2, the commissioner of revenue shall prepare a written report for the subcommittee. In preparing the report, the commissioner shall consult with the chairs of the subcommittee, or staff designated by them for that purpose, regarding the methods to be used, the information to be provided, the categories to group base expansions or contractions into, and the timelines for providing preliminary information and a final report. The report must include descriptions of or estimates of:

(1) the changes needed in the current sales tax base to move to a tax based solely on final consumption of all consumer goods and services, with no taxation of intermediate inputs to businesses;

(2) the estimated change in state revenues for each of the changes identified in clause (1), along with the sales tax rate change that would be needed to make the changes revenue-neutral;

(3) legal, administrative, and collection issues that would be associated with the changes identified in clause (1), including interaction with other state taxes;

(4) the effect of the changes identified in clause (1) on the incidence of the sales tax system and the overall state and local tax system; and

(5) alternatives for rebating or refunding a portion of the tax to offset any increase in regressivity identified under clause (4).

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

## **ARTICLE 6**

### **ECONOMIC DEVELOPMENT**

#### **Section 1. [17.118] DAIRY INVESTMENT GRANT PROGRAM.**

(a) The commissioner may award a dairy investment grant to a person who raises dairy animals in this state equal to ten percent of the first \$500,000 of qualifying expenditures made during the qualifying period, provided the person makes qualifying expenditures of at least \$40,000.

(b) For purposes of this subdivision, "qualifying expenditures" means the amount spent for:

(1) the acquisition, construction, or improvement of buildings or facilities, if related to dairy animals; or

(2) the acquisition of equipment for dairy animal housing, for confinement, for animal feeding, for production and delivery of milk and other dairy products, and for waste management, including the following, if related to dairy animals in this state:

(i) freestall barns;

(ii) watering facilities;

(iii) feed storage and handling equipment;

(iv) milking parlors;

(v) robotic equipment;

(vi) scales;

(vii) milk storage and cooling facilities;

(viii) bulk tanks; and

(ix) manure pumping and storage facilities.

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

(c) The qualifying period for grants to be made in fiscal year 2008 is that time after December 31, 2006, and before January 1, 2008. The qualifying period for grants to be made in fiscal year 2009 is that time after December 31, 2007, and before January 1, 2009.

(d) The \$50,000 maximum grant applies at the entity level for partnerships, S corporations, trusts, and estates as well as at the individual level. In the case of married individuals, the grant is limited to \$50,000 for a married couple.

(e) To be eligible for the dairy investment reimbursement grant, a person must apply to the commissioner on forms prescribed by the commissioner and must include a statement of the qualifying expenditures of at least \$40,000 made during the qualifying period along with any proof or other documentation the commissioner may require.

(f) The commissioner shall review completed applications and award grants to eligible applicants in the order in which applications were received by the commissioner. The commissioner shall notify in writing any applicant who applies for a grant and is ineligible under the provisions of this section as well as any applicant whose application is received or reviewed after the fiscal year limit has been reached.

(g) This section expires June 30, 2010.

Sec. 2. Minnesota Statutes 2006, section 116J.871, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "Economic development" means financial assistance provided to a person directly or to a local unit of government or nonprofit organization on behalf of a person who is engaged in the manufacture or sale of goods and services. Economic development does not include (i) financial assistance for rehabilitation of existing housing or (ii) financial assistance for new housing construction in which total financial assistance at a single project site is less than \$100,000.

(c) "Financial assistance" means (i) a grant awarded by a state agency for economic development related purposes if a single business receives \$200,000 or more of the grant proceeds; (ii) a loan or the guaranty or purchase of a loan made by a state agency for economic development related purposes if a single business receives \$500,000 or more of the loan proceeds; ~~or~~ (iii) a reduction, credit, or abatement of a tax assessed under chapter 297A where the tax reduction, credit, or abatement applies to a geographic area smaller than the entire state and was granted for economic development related purposes; or (iv) tax benefits received by a qualified business operating in a job opportunity building zone. Financial assistance does not include payments by the state of aids and credits under chapter 273 or 477A to a political subdivision.

(d) "Project site" means the location where improvements are made that are financed in whole or in part by the financial assistance; or the location of employees that receive financial assistance in the form of employment and training services as defined in section 116L.19, subdivision 4, or customized training from a technical college.

(e) "State agency" means any agency defined under section 16B.01, subdivision 2, Minnesota Technology, Inc., and the Iron Range Resources and Rehabilitation Board.

Sec. 3. [138.028] HISTORIC STRUCTURE REHABILITATION GRANTS.

Subdivision 1. Definitions. (a) For purposes of this section the following terms have the meanings given.

(b) "Eligible person" means an individual or a pass-through entity.

(c) "Historic structure" means a certified historic structure that meets the definition in section 47(c)(3) of the Internal Revenue Code and that is located in Minnesota.

Subd. 2. Grants. (a) The state historic preservation officer in the Minnesota Historical Society may award historic structure rehabilitation grants to eligible persons to facilitate rehabilitation of historic structures.

(b) To be considered for a historic structure rehabilitation grant, an eligible person must apply

to the state historic preservation officer in a form and manner prescribed by the state historic preservation officer.

(c) The state historic preservation officer must evaluate grant applications and give priority in awarding grants to applications relating to rehabilitation of historic structures determined to be less likely to take place if a grant is not awarded.

Subd. 3. **Report.** The Minnesota Historical Society shall report to the committees of the legislature with oversight over economic development by February 1, 2009, on the economic impact to the state of the rehabilitation of historic structures that received grants under this section, in compliance with sections 3.195 and 3.197.

Sec. 4. Minnesota Statutes 2006, section 268.19, subdivision 1, is amended to read:

Subdivision 1. **Use of data.** (a) Except as otherwise provided by this section, data gathered from any person pursuant to the administration of the Minnesota Unemployment Insurance Law are private data on individuals or nonpublic data not on individuals as defined in section 13.02, subdivisions 9 and 12, and may not be disclosed except pursuant to a district court order or section 13.05. A subpoena shall not be considered a district court order. These data may be disseminated to and used by the following agencies without the consent of the subject of the data:

- (1) state and federal agencies specifically authorized access to the data by state or federal law;
- (2) any agency of any other state or any federal agency charged with the administration of an unemployment insurance program;
- (3) any agency responsible for the maintenance of a system of public employment offices for the purpose of assisting individuals in obtaining employment;
- (4) human rights agencies within Minnesota that have enforcement powers;
- (5) the Department of Revenue only to the extent necessary for its duties under Minnesota laws;
- (6) public and private agencies responsible for administering publicly financed assistance programs for the purpose of monitoring the eligibility of the program's recipients;
- (7) the Department of Labor and Industry and the Division of Insurance Fraud Prevention in the Department of Commerce on an interchangeable basis with the department for uses consistent with the administration of their duties under Minnesota law;
- (8) local and state welfare agencies for monitoring the eligibility of the data subject for assistance programs, or for any employment or training program administered by those agencies, whether alone, in combination with another welfare agency, or in conjunction with the department or to monitor and evaluate the statewide Minnesota family investment program by providing data on recipients and former recipients of food stamps or food support, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;
- (9) local and state welfare agencies for the purpose of identifying employment, wages, and other information to assist in the collection of an overpayment debt in an assistance program;
- (10) local, state, and federal law enforcement agencies for the sole purpose of ascertaining

the last known address and employment location of a person who is the subject of a criminal investigation;

(11) the federal Immigration and Naturalization Service shall have access to data on specific individuals and specific employers provided the specific individual or specific employer is the subject of an investigation by that agency; ~~and~~

(12) the Department of Health solely for the purposes of epidemiologic investigations; and

(13) the state auditor to the extent necessary to conduct audits of job opportunity building zones as required under section 469.3201.

(b) Data on individuals and employers that are collected, maintained, or used by the department in an investigation pursuant to section 268.182 are confidential as to data on individuals and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3 and 13, and must not be disclosed except pursuant to statute or district court order or to a party named in a criminal proceeding, administrative or judicial, for preparation of a defense.

(c) Data gathered by the department pursuant to the administration of the Minnesota unemployment insurance program must not be made the subject or the basis for any suit in any civil proceedings, administrative or judicial, unless the action is initiated by the department.

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

Sec. 5. Minnesota Statutes 2006, section 270B.15, is amended to read:

**270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE AUDITOR.**

(a) Returns and return information must be disclosed to the legislative auditor to the extent necessary for the legislative auditor to carry out sections 3.97 to 3.979.

(b) The commissioner must disclose return information, including the report required under section 289A.12, subdivision 15, to the state auditor to the extent necessary to conduct audits of job opportunity building zones as required under section 469.3201.

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

Sec. 6. 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.~~

**EFFECTIVE DATE.** This section is effective beginning for taxes payable in 2008.

Sec. 7. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

**Subd. 85. Fergus Falls historical zone.** (a) Property located in the area of the campus of the former state regional treatment center in the city of Fergus Falls, including the five buildings and associated land that were acquired by the city prior to January 1, 2007, is exempt from ad valorem taxes levied under chapter 275.

(b) The exemption applies for 15 calendar years from the date specified by resolution of the governing body of the city of Fergus Falls. For the final three assessment years of the 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. 8. Minnesota Statutes 2006, section 289A.12, is amended by adding a subdivision to read:

**Subd. 15. Report of job opportunity zone benefits; penalty for failure to file report.** (a) By October 15 of each year, every qualified business, as defined under section 469.310, subdivision 11, must file with the commissioner, on a form prescribed by the commissioner, a report listing the tax benefits under section 469.315 received by the business for the previous year.

(b) The commissioner shall send notice to each business that fails to timely submit the report required under paragraph (a). The notice shall demand that the business submit the report within 60 days. Where good cause exists, the commissioner may extend the period for submitting the report as long as a request for extension is filed by the business before the expiration of the 60-day period. The commissioner shall notify the commissioner of the Department of Employment and Economic Development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) A business that fails to submit the report as required under paragraph (b) is no longer a qualified business under section 469.310, subdivision 11, and is subject to the repayment provisions of section 469.319.

**EFFECTIVE DATE.** This section is effective beginning with reports required to be filed October 15, 2008.

Sec. 9. 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. 10. Minnesota Statutes 2006, section 469.174, subdivision 10, is amended to read:

**Subd. 10. Redevelopment district.** (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

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

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

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

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

(ii) are located adjacent to rail facilities; and

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

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

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or

similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1). Failure of a building to be disqualified under the provisions of this paragraph is a necessary, but not a sufficient, condition to determining that the building is substandard.

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) or by the improvements described in paragraph (e) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building or met the requirements of paragraph (e), as the case may be, within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was or the improvements described in paragraph (e) were demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building or met the requirements of paragraph (e) and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (f).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

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

**EFFECTIVE DATE.** This section is effective for requests for certification made after June 30, 2007.

Sec. 11. Minnesota Statutes 2006, section 469.174, subdivision 10a, is amended to read:

Subd. 10a. **Renewal and renovation district.** (a) "Renewal and renovation district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that:

(1)(i) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; (ii) 20 percent of the buildings are structurally substandard; and (iii) 30 percent of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; and

(2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.

(b) For purposes of determining whether a building is structurally substandard, whether parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures, or whether noncontiguous areas qualify, the provisions of subdivision 10, paragraphs ~~(c)~~, ~~(e)~~, and ~~(b)~~ through (f) apply.

**EFFECTIVE DATE.** This section is effective for requests for certification made after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **Tax increment financing plan.** (a) A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire, identified by parcel number, identifiable property name, block, or other appropriate means indicating the area in which the authority intends to acquire properties;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administrative expenses, except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project,

including administrative expenses, that will be paid or financed with tax increments from the district;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's and any subdistrict's existence;

(6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district or any subdistrict.

(b) The authority may specify in the tax increment financing plan the first year in which it elects to receive increment, up to four years following the year of approval of the district. This paragraph does not apply to an economic development district.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2007.

Sec. 13. Minnesota Statutes 2006, section 469.175, subdivision 3, is amended to read:

Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each

determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a qualified housing district;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, paragraph (b), if applicable.

(c) When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

(d) For a district that is subject to the requirements of paragraph (b), clause (2), item (ii), the municipality's statement of reasons and supporting facts must include all of the following:

(1) an estimate of the amount by which the market value of the site will increase without the use of tax increment financing;

(2) an estimate of the increase in the market value that will result from the development or redevelopment to be assisted with tax increment financing; and

(3) the present value of the projected tax increments for the maximum duration of the district permitted by the tax increment financing plan.

(e) For purposes of this subdivision, "site" means the parcels on which the development or redevelopment to be assisted with tax increment financing will be located.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 14. Minnesota Statutes 2006, section 469.176, subdivision 1, is amended to read:

Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the limitations contained in subdivisions 1a to 1f, any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding. The municipality may, at the time of approval of the initial tax increment financing plan, provide for one or both of the following:

- (1) a shorter maximum duration limit than specified in subdivisions 1a to 1f;
- (2) an election as provided under section 469.175, subdivision 1, paragraph (b).

The specified limit applies in place of the otherwise applicable limit, unless the authority modifies the plan following the procedures under section 469.175, subdivision 4, paragraph (b).

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority are pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2007.

Sec. 15. Minnesota Statutes 2006, section 469.176, subdivision 2, is amended to read:

Subd. 2. **Excess increments.** (a) The authority shall annually determine the amount of excess increments for a district, if any. This determination must be based on the tax increment financing plan in effect on December 31 of the year and the increments and other revenues received as of December 31 of the year. The authority must spend or return the excess increments under paragraph (c) within nine months after the end of the year.

(b) For purposes of this subdivision, "excess increments" equals the excess of:

(1) total increments collected from the district since its certification, reduced by any excess increments paid under paragraph (c), clause (4), for a prior year, over

(2) the total costs authorized by the tax increment financing plan to be paid with increments from the district, reduced, but not below zero, by the sum of:

(i) the amounts of those authorized costs that have been paid from sources other than tax increments from the district;

(ii) revenues, other than tax increments from the district, that are dedicated for or otherwise

required to be used to pay those authorized costs and that the authority has received and that are not included in item (i);

(iii) the amount of principal and interest obligations due on outstanding bonds after December 31 of the year and not prepaid under paragraph (c) in a prior year; and

(iv) increased by the sum of the transfers of increments made under section 469.1763, subdivision 6, to reduce deficits in other districts made by December 31 of the year.

(c) The authority shall use excess increment only to do one or more of the following:

(1) prepay any outstanding bonds;

(2) discharge the pledge of tax increment for any outstanding bonds;

(3) pay into an escrow account dedicated to the payment of any outstanding bonds; or

(4) return the excess amount to the county auditor who shall distribute the excess amount to the city or town, county, and school district in which the tax increment financing district is located in direct proportion to their respective local tax rates.

(d) For purposes of a district for which the request for certification was made prior to August 1, 1979, excess increments equal the amount of increments on hand on December 31, less the principal and interest obligations due on outstanding bonds or advances, qualifying under subdivision 1c, clauses (1), (2), (4), and (5), after December 31 of the year and not prepaid under paragraph (c).

(e) The county auditor must report to the commissioner of education the amount of any excess tax increment distributed to a school district within 30 days of the distribution.

(f) For purposes of this subdivision, "outstanding bonds" means bonds which are secured by increments from the district.

(g) The state auditor may exempt an authority from reporting the amounts calculated under this subdivision for a calendar year, if the authority certifies to the auditor in its report that the total amount authorized by the tax increment plan to be paid with increments from the district exceeds the sum of the total increments collected for the district for all years by 20 percent.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts regardless of when the request for certification was made, including districts for which the request for certification was made on or before August 1, 1979.

Sec. 16. Minnesota Statutes 2006, section 469.176, subdivision 4l, is amended to read:

Subd. 4l. **Prohibited facilities.** (a) No tax increment from any district may be used for:

(1) a commons area used as a public park; or

(2) a facility used for social, recreational, or conference purposes.

(b) This subdivision does not apply to a privately owned facility for conference purposes or a parking structure, whether it is public or privately owned or whether it is ancillary to a use listed in paragraph (a).

**EFFECTIVE DATE.** This section confirms the original intent of the legislature in enacting

Minnesota Statutes, section 469.176, subdivision 41, and is effective the day following final enactment and applies to any expenditure subject to Minnesota Statutes, section 469.176, subdivision 41.

Sec. 17. Minnesota Statutes 2006, section 469.176, subdivision 7, is amended to read:

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

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

(2) a qualified housing district.

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

(i) to store or warehouse tangible personal property;

(ii) to take orders for shipment, mailing, or delivery;

(iii) to prepare personal property for shipment, mailing, or delivery; and

(iv) to ship, mail, or deliver property.

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

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

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts regardless of when the request for certification was made.

Sec. 18. Minnesota Statutes 2006, section 469.1761, subdivision 1, is amended to read:

Subdivision 1. **Requirement imposed.** (a) In order for a tax increment financing district to qualify as a housing district:

(1) the income limitations provided in this section must be satisfied; and

(2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

(b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions

of this section do not apply to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

(c) For purposes of the requirements of paragraph (a), the authority may elect to treat an addition to an existing structure as a separate building if:

(1) construction of the addition begins more than three years after construction of the existing structure was completed; and

(2) for an addition that does not meet the requirements of paragraph (a), clause (2), if it is treated as a separate building, the addition was not contemplated by the tax increment financing plan which includes the existing structure.

**EFFECTIVE DATE.** This section is effective for expenditures of tax increment authorized and made after the day following final enactment, regardless of when the request for certification of the district was made.

Sec. 19. Minnesota Statutes 2006, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

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

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

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

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

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

(3) be used to:

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

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

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

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. ~~Public infrastructure~~ These expenditures are considered as expenditures for activities within the district.

**EFFECTIVE DATE.** This section is effective for all districts located in bioscience zones, regardless of when the request for certification was made.

Sec. 20. Minnesota Statutes 2006, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the

improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original net tax capacity.

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

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

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

**EFFECTIVE DATE.** This section is effective for requests for certification made after June 30, 2007.

Sec. 21. Minnesota Statutes 2006, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be authorized, by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is made, before money is transferred, advanced, or spent, whichever is earliest. The resolution may generally grant to the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is made, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts subject to Minnesota Statutes, section 469.178, subdivision 7, regardless of when the request for certification was made.

Sec. 22. Minnesota Statutes 2006, section 469.1791, subdivision 3, is amended to read:

Subd. 3. **Preconditions to establish district.** (a) A city may establish a special taxing district within a tax increment financing district under this section only if the conditions under paragraphs (b) and (c) are met or if the city elects to exercise the authority under paragraph (d).

(b) The city has determined that:

(1) total tax increments from the district, including unspent increments from previous years and increments transferred under paragraph (c), will be insufficient to pay the amounts due in a year on preexisting obligations; and

(2) this insufficiency of increments resulted from the reduction in property tax class rates enacted in the 1997 and 1998 legislative sessions.

(c) The city has agreed to transfer any available increments from other tax increment financing districts in the city to pay the preexisting obligations of the district under section 469.1763, subdivision 6. This requirement does not apply to any available increments of a ~~qualified~~ housing district.

(d) If a tax increment financing district does not qualify under paragraphs (b) and (c), the governing body may elect to establish a special taxing district under this section. If the city elects to exercise this authority, increments from the tax increment financing district and the proceeds of the tax imposed under this section may only be used to pay preexisting obligations and reasonable administrative expenses of the authority for the tax increment financing district. The tax increment financing district must be decertified when all preexisting obligations have been paid.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to districts regardless of when the request for certification was made.

Sec. 23. Minnesota Statutes 2006, section 469.312, subdivision 5, is amended to read:

Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

(b) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by three calendar years for each parcel of property that meets the following requirements:

(1) the qualified business operates an ethanol plant, as defined in section 41A.09, on the site that includes the parcel; and

(2) the business subsidy agreement was executed after April 30, 2006.

(c)(1) Notwithstanding the 12-year zone limitation, all qualified businesses that sign a business subsidy agreement, as required under sections 469.310, subdivision 11, and 469.313, before December 31, 2015, are entitled to claim the tax benefits for which they qualify under section 469.315 for the year in which the business subsidy agreement is signed and ten additional years.

(2) This paragraph does not apply to:

(i) any acreage designated as a job opportunity building zone for which any person has fully executed a business subsidy agreement before this paragraph became effective;

(ii) any trade or business that relocates as defined in section 469.310, subdivision 12, and received benefits under section 463.315 prior to the relocation; or

(iii) any trade or business that is located in the 11-county metropolitan area, which consists of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright, or outside of that metropolitan area but within a home rule charter or statutory city that has a population in excess of 50,000, or in a home rule charter or statutory city that is contiguous to such a city; this exclusion does not apply to any city that is immediately adjacent to another state.

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

Sec. 24. Minnesota Statutes 2006, section 469.312, is amended by adding a subdivision to read:

Subd. 6. **Restrictions on relocations.** (a) If a business relocates or intends to relocate under a proposed project more than 25 full-time equivalent jobs from a location in Minnesota into a job opportunity building zone, the business must notify the local government unit, the commissioner of employment and economic development, and the city and the county governments from which the jobs are being or would be relocated. A city or county that objects to the relocation of jobs must file a copy of the resolution with the commissioner of employment and economic development and the local unit of government.

(b) If the governing body of the city or county from which the jobs are being relocated adopts a qualified resolution objecting to the relocation within 60 days after its receipt of the notice, the following rules apply until the requirements of paragraph (c) are satisfied:

(1) if the business has not entered into a business subsidy agreement, the local unit of government may not enter into a business subsidy agreement with the business; or

(2) if the local unit of government has entered into a business subsidy agreement with the business, the business ceases to be a qualified business, effective for the current taxable year, the current assessment year, and for taxable purchases made after the first day of the month beginning after the filing of the objecting resolution.

(c) To be a qualified resolution for purposes of this subdivision, the resolution must identify one or more sites in the city or county that could serve as an appropriate site for the facility proposed by the business. To satisfy this requirement a site must:

(1) be of adequate size;

(2) have appropriate transportation access, given the nature of the business;

(3) be served by adequate public infrastructure and public utilities or the governmental unit will provide reasonably necessary public infrastructure and public utilities for the project in a timely manner; and

(4) be under the ownership or control of either the governmental unit or the business or be available for sale.

(d) When each city and county that objected to the relocation rescinds its objection by resolution, the provisions of paragraph (b) no longer apply to the business.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to business subsidy agreements entered into after that date.

Sec. 25. Minnesota Statutes 2006, section 469.3201, is amended to read:

**469.3201 JOB EXPENDITURE LIMITATIONS; AUDITS STATE AUDITOR; AUDITS OF JOB OPPORTUNITY BUILDING ZONES AND BUSINESS SUBSIDY AGREEMENTS.**

The Tax Increment Financing, Investment and Finance Division of the Office of the State Auditor must annually audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under Minnesota Statutes, sections 469.310 to 469.320. To the extent necessary to perform this audit, the state auditor may request from the commissioner of revenue tax return information of taxpayers who are eligible to receive tax benefits authorized under section 469.315. To the extent necessary to perform this audit, the state auditor may request from the commissioner of employment and economic development wage detail report information required under section 268.044 of taxpayers eligible to receive tax benefits authorized under section 469.315.

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

Sec. 26. Minnesota Statutes 2006, section 473F.01, subdivision 2, is amended to read:

Subd. 2. **Use of proceeds.** Except as provided in section 473F.08, subdivision 3a, The proceeds from the areawide tax imposed under this chapter must be used by a local governmental unit in the same manner and for the same purposes as the proceeds from other ad valorem taxes levied by the local governmental unit.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 27. Minnesota Statutes 2006, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. **Bloomington 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 I and 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 I and 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 city must use the money so distributed to finance a parking facility for phase II of the Mall of America project. 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 has been paid.

Sec. 28. 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.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 29. Minnesota Statutes 2006, section 473F.08, subdivision 7a, is amended to read:

Subd. 7a. **Certification of values; payment.** The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivisions 3, clause (a), ~~3a,~~ and 3b, and 3c, within the county and the total tax on contribution value pursuant to subdivision 6, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditors certification.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 30. Laws 1994, chapter 587, article 9, section 14, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** The city of Brooklyn Center may establish ~~an~~ a redevelopment tax increment financing district in which 15 percent of the revenues generated from tax increment in any year is deposited in the housing and environmental remediation development account of the authority and expended according to the tax increment financing plan.

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

Sec. 31. Laws 1994, chapter 587, article 9, section 14, subdivision 2, is amended to read:

Subd. 2. **Eligible activities.** The authority must identify in the plan the housing activities that will be assisted by the housing and environmental remediation development account. Housing activities may include rehabilitation, acquisition, construction, demolition, and financing of new or existing single family or multifamily housing. Housing and environmental remediation activities listed in the plan need not be located within the district or project area but must be activities that meet the income requirements of a qualified housing district under Minnesota Statutes, section ~~273.1399 or 469.1761, subdivision 2.~~

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

Sec. 32. Laws 1994, chapter 587, article 9, section 14, subdivision 3, is amended to read:

Subd. 3. **Housing account.** Tax increment to be expended for housing and environmental remediation activities under this section must be segregated by the authority into a special account on its official books and records. The account may also receive funds from other public and private sources.

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

Sec. 33. 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. 34. 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. 35. 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. 36. 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 \$10,490.

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 or other financial assistance 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 and that prohibits inclusion of an auditorium, theater, or similar entertainment venue that has a seating capacity in excess of 1500.

Subd. 6. **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 Minnesota Statutes, section 469.310, subdivision 11, paragraph (g), to persons employed on a full-time basis at the facility. This subdivision does not apply to seasonal or temporary employees or to internships or similar positions intended to provide career experience or training. This subdivision does not apply to nonprofit organizations, educational institutions, or businesses that employ fewer than 50 employees.

Subd. 7. **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. 37. **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.

Subd. 5. **Food and beverage tax.** The city may impose, by ordinance, an additional sales tax of up to three percent on sales of food and beverages primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city 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. 38. 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) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the

acreage of the project area (excluding street and railroad right of way) are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of residential or commercial buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of commercial or residential buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) through (5), a parcel is deemed to be characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is deemed to be characterized by substandard buildings if the buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district, and section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding anything to the contrary in section 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue derived from tax increments paid by properties in any district (measured over the life of the district) may be expended on activities outside the district but within the project area.

(f) 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 item (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.

(g) 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 (f) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

(h) Increments from any district may not be used to pay the costs of landfill closure or public infrastructure located on the following parcels within the plat known as Burnsville Amphitheater: Lot 1, Block 1; Lots 1 and 2, Block 2; and Outlots A, B, C and D.

(i) 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. 39. 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. **Business subsidy agreement required.** Prior to approval of a tax increment financing plan for a district authorized by this section, the city must enter a business subsidy agreement with the recipient or beneficiary of expenditures of the increments. The agreement must set minimum full-time employment goals, minimum compensation amounts of the employment positions, and minimum investment amounts for the project and must provide for repayment of all or part of the assistance, if the established goals are not met by the recipient or beneficiaries.

Subd. 4. **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. 40. CITY OF EYOTA; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota Statutes, section 469.174, subdivision 27, the city of Eyota is deemed to be a small city for the purposes of Minnesota Statutes, section 469.174 to 469.1799, as long as its population does not exceed the population limit in that section.

Subd. 2. **Local approval.** This section is effective for the city of Eyota upon approval of Eyota's governing body and compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 41. 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. 42. 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. 43. 2008 REPUBLICAN NATIONAL CONVENTION EXPENSES; APPROPRIATION.**

Subdivision 1. Cash flow account cancellation. \$39,000,000 is canceled from the cash flow account created in Minnesota Statutes, section 16A.152, subdivision 1, to the general fund.

Subd. 2. Appropriation. \$39,000,000 is appropriated from the general fund to the commissioner of finance to support a guarantee by the state of Minnesota that private money will be raised to pay the Minneapolis-St. Paul Host Committee's share of expenses for the 2008 Republican National Convention in St. Paul.

This appropriation is not available until the commissioner has determined that private money up to the amount of the guarantee has been committed to be paid to the Host Committee no later than June 15, 2008. Any money advanced to the Host Committee under the state guarantee must be repaid by the Host Committee to the commissioner of finance no later than June 30, 2009, deposited in the state treasury, and credited to the cash flow account in the general fund.

**Sec. 44. APPROPRIATION; GRANT TO FERGUS FALLS.**

\$200,000 in fiscal year 2008 and \$200,000 in fiscal year 2009 are appropriated from the general fund to the commissioner of employment and economic development to provide a grant to the city of Fergus Falls to market and promote economic development of the site formerly used as a regional treatment facility.

**Sec. 45. APPROPRIATION; DAIRY INVESTMENT GRANTS.**

\$300,000 in fiscal year 2008 and \$200,000 in fiscal year 2009 are appropriated from the general fund to the commissioner of agriculture for the purposes of section 1. Any unencumbered balance in the first year does not cancel but is available in the second year. This is a onetime appropriation and does not become part of the agency's base budget. The commissioner may use up to three percent of the appropriation in each year to administer the grant program.

**Sec. 46. APPROPRIATION; MINNESOTA HISTORICAL SOCIETY.**

\$3,073,000 in fiscal year 2008 is appropriated from the general fund to the Minnesota Historical Society for grants to facilitate rehabilitation of historic structures as provided in section 3. Of this amount, the Minnesota Historical Society may use up to \$40,000 for purposes of administering the grants in section 3. Any unencumbered balance in fiscal year 2008 does not cancel but is available in fiscal year 2009. This is a onetime appropriation and does not become part of the agency's base budget.

**Sec. 47. REPEALER.**

(a) Minnesota Statutes 2006, section 469.174, subdivision 29, is repealed.

(b) Laws 1998, chapter 389, article 11, section 18, is repealed.

(c) Minnesota Statutes 2006, section 473F.08, subdivision 3a, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment. For purposes of any special law authorizing or limiting the use of increments to projects meeting the requirements of a qualified housing district, expenditures for housing districts satisfying the requirements of Minnesota Statutes, sections 469.174, subdivision 11; 469.176, subdivision 4d; and 469.1761, as amended, also satisfy the requirements of the special law.

Paragraph (b) 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.

Paragraph (c) is effective for taxes payable in 2008 and thereafter.

## ARTICLE 7

### 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 275.61, subdivision 1, is amended to read:

Subdivision 1. **Market value.** (a) ~~For local governmental subdivisions other than school districts, any levy, including the issuance of debt obligations payable in whole or in part from property taxes,~~ required to be approved and approved by the voters at a general or special election for taxes payable in 1993 and thereafter, shall be levied against the referendum market value of all taxable property within the governmental subdivision, as defined in section 126C.01, subdivision 3. Any levy amount subject to the requirements of this section shall be certified separately to the county auditor under section 275.07.

(b) The ballot shall state the maximum amount of the increased levy as a percentage of market value and the amount that will be raised by the new referendum tax rate in the first year it is to be levied.

(c) This subdivision does not apply to tax levies for the payment of debt obligations that are approved by the voters after June 30, 2007.

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

Sec. 4. 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. 5. 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. 6. 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. 7. 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. 8. 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, continue until the obligations and any obligations issued to refund them have been paid in full.

Sec. 9. 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. 10. Minnesota Statutes 2006, section 373.40, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A county, ~~other than Ramsey,~~ may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed ~~0.05367~~ 0.12 percent of taxable market value of property in the county. ~~Ramsey county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed 0.06455 percent of taxable market value of property in the county.~~ Calculation of the limit must be made using the taxable market value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

**EFFECTIVE DATE.** This section is effective for bonds issued after June 30, 2007.

Sec. 11. 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. 12. 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. 13. Minnesota Statutes 2006, section 383B.77, subdivision 1, is amended to read:

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

**EFFECTIVE DATE.** Because the population of Hennepin County is more than 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without local approval.

Sec. 14. Minnesota Statutes 2006, section 383B.77, subdivision 2, is amended to read:

Subd. 2. **Limitation.** This section does not limit or restrict any existing housing and redevelopment authority or prevent a municipality from creating an authority. For purposes of this subdivision, "housing and redevelopment authority" includes any municipal department, agency, or authority of the city of Minneapolis which exercises the powers of a housing and redevelopment authority pursuant to section 469.003 or other law. The county authority shall notify a municipal authority by January 31 of each year as to the activities the county authority plans to participate in within the municipality. The municipal authority shall notify the county authority within 45 days of the date of the notice from the county authority, if the municipal authority does not consent to the activities of the county authority. ~~The county authority shall not exercise its powers in a municipality where a housing and redevelopment authority was created under Minnesota Statutes 1969, chapter 462, before June 8, 1971, except as provided in this subdivision.~~ If a city housing and redevelopment authority requests the county housing and redevelopment authority to exercise any power or perform any function of the municipal authority, the county authority may do so.

**EFFECTIVE DATE.** Because the population of Hennepin County is more than 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without local approval.

Sec. 15. 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. 16. 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. 17. 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. 18. **[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) 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. The amount of any fees charged by the Public Employees Retirement Association is appropriated to the association from the account. A trust administrator may establish other reasonable terms and conditions for creation and maintenance of these accounts.

(b) 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.

(c) Effective for fiscal years beginning after December 31, 2009, the trust administrator must report electronically to the state auditor the portfolio and performance information specified in section 356.219, subdivision 3, in the 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 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 is 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, and is applicable immediately to all political subdivisions or public entities subject to Statement No. 45 of the Governmental Accounting Standards Board in 2007, to those political subdivisions or public entities whose trusts or trust accounts are validated by section 27, and to those political subdivisions or public entities that have begun consideration of measures to implement Statement No. 45 in 2007. This section is applicable on July 1, 2008, for all other political subdivisions or public entities.

Sec. 19. 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 \$33,600,000 for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

**APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the day following final enactment.

Sec. 20. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision to read:

Subd. 5. **Anticipation of grants.** In addition to other authority granted in this section, the council may exercise the authority granted to an issuing political subdivision by section 475.522.

**APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the day following final enactment.

Sec. 21. Minnesota Statutes 2006, section 475.51, subdivision 4, is amended to read:

Subd. 4. **Net debt.** "Net debt" means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

(1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

(2) Warrants or orders having no definite or fixed maturity.

- (3) Obligations payable wholly from the income from revenue producing conveniences.
- (4) Obligations issued to create or maintain a permanent improvement revolving fund.
- (5) Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
- (6) Debt service loans and capital loans made to a school district under the provisions of sections 126C.68 and 126C.69.
- (7) Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
- (8) Obligations to repay loans made under section 216C.37.
- (9) Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
- (10) Obligations issued to pay pension fund or other postemployment benefit liabilities under section 475.52, subdivision 6, or any charter authority.
- (11) Obligations issued to pay judgments against the municipality under section 475.52, subdivision 6, or any charter authority.
- (12) All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**EFFECTIVE DATE.** This section is effective for obligations issued after June 30, 2007.

Sec. 22. 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.

Sec. 23. **[475.522] GRANT ANTICIPATION FINANCING OF TRANSPORTATION OR TRANSIT PROJECTS.**

Subdivision 1. **Definitions.** For purposes of this section, the term "political subdivision" means a county or a statutory or home rule charter city, and the term "issuing political subdivision" means a political subdivision that issues obligations under subdivision 2.

Subd. 2. **Authorization.** An issuing political subdivision may enter into agreements with any

other political subdivision of the state, within or without its jurisdiction, and any state agency, with respect to federal grants for transportation or transit projects to be received directly or indirectly by or on behalf of the political subdivision or agency, under an executed grant agreement with the relevant federal agency. The agreements may provide that the political subdivision or agency will pledge to the issuing political subdivision all or a specified portion of the federal grants received by or on behalf of the political subdivision or agency for a specified period of years, or until all obligations issued by the issuing political subdivision under subdivision 3 with respect to those federal grants have been paid or legally defeased. If the issuing political subdivision issues obligations under subdivision 3, the agreements must provide the method by which the proceeds of the obligations will be used to pay or reimburse the costs of the transportation or transit projects relating to the federal grants described in the executed federal grant agreement.

Subd. 3. **Issuance of obligations.** In anticipation of any federal grants for transportation or transit projects to be received directly or indirectly by any political subdivision or agency as specified in subdivision 1, or by an issuing political subdivision with respect to any transportation or transit projects within its jurisdiction, an issuing political subdivision may issue its obligations payable from the collections of those federal grants. The obligations may be issued in the principal amount the issuing political subdivision determines provided that the estimated collections of the federal grants under the relevant executed federal grant agreement in each year in which the obligations will be outstanding must be at least equal to:

(1) if the obligations are to be issued as revenue obligations, 150 percent of the maximum annual debt service on the obligations; or

(2) if the obligations are to be issued as general obligations, 110 percent of the maximum annual debt service on the obligations.

Except as otherwise provided in this section, the issuing political subdivision shall provide for the issuance, sale, and security of the obligations as provided in chapter 475, and has the same powers and duties as a municipality issuing bonds under that law, except that no election is required and the net debt limitations in chapter 475 do not apply to the obligations. The issuing political subdivision may determine to issue the obligations as revenue obligations, payable solely from the collections of the federal grants anticipated, or may pledge its full faith and credit to the payment of the obligations.

Subd. 4. **Use of proceeds.** The proceeds of the obligations must be used:

(1) to pay or reimburse the costs of the transportation or transit projects relating to the federal grants being anticipated;

(2) to pay the costs of issuance of the obligations, including credit enhancement;

(3) to pay interest on the obligations for a period not exceeding three years from their date of issue; and

(4) if the full faith and credit of the issuing political subdivision is not pledged to the payment of the obligations, to fund a debt service reserve fund for the obligations.

Sec. 24. Minnesota Statutes 2006, section 475.53, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to 475.74, no

municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of ~~two~~ three percent of the market value of taxable property in the municipality.

**EFFECTIVE DATE.** This section is effective for obligations issued after June 30, 2007.

Sec. 25. 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).

Sec. 26. 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 vote of all of the members of the governing body 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. 27. 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 Minnesota Statutes, 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 Minnesota Statutes, section 471.6175.

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

**Sec. 28. TOWN OF CRANE LAKE, CERTIFICATES OF INDEBTEDNESS.**

Notwithstanding Minnesota Statutes, section 366.095, or any other law to the contrary, 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 governing body of the town of Crane Lake and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 29. 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 8****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 commissioner, upon the affirmative vote of a majority of the members of the board, may purchase forest lands in the taconite assistance area defined in under section 273.1341 with funds specifically authorized for the purchase. The acquired forest lands must be held in trust for the benefit of the citizens of the taconite assistance area as the Iron Range Miners' Memorial Forest. The forest trust lands shall be managed and developed for recreation and economic development purposes. Proceeds derived from the management of the lands and from the sale of timber or removal of gravel or other minerals from these forest lands shall be deposited into an Iron Range Miners' Memorial Forest account that is established within the state financial accounts. Funds may be expended from the account upon approval of a majority of the members of the board to purchase, manage, administer, convey interests in, and improve the forest lands. By majority vote of the members of the board, money in the Iron Range Miners' Memorial Forest account may be transferred into the corpus of the Douglas J. Johnson economic protection trust fund established under sections 298.291 to 298.294. The property acquired under the authority granted by this subdivision and income derived from the property or the operation or management of the property are exempt from taxation by the state or its political subdivisions.

Sec. 4. Minnesota Statutes 2006, section 298.2214, subdivision 2, is amended to read:

Subd. 2. **Iron Range Higher Education Committee; membership.** The members of the committee shall consist of:

- (1) one member appointed by the governor;
- (2) one member appointed by the president of the University of Minnesota;
- (3) two members ~~appointed by the commissioner~~ of the Iron Range resources and rehabilitation appointed by the chair; ~~and~~
- (4) the commissioner of Iron Range resources and rehabilitation; and
- (5) the President of the Northeast Higher Education District.

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 July 1, 2008.

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 3, is amended to read:

Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, 3 cents per taxable ton must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). The amount available under this paragraph will be distributed to eligible towns on a per capita basis.

**EFFECTIVE DATE.** This section is effective for distributions in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) ~~17.15~~ 22.65 cents per taxable ton, plus the increase provided in paragraph (d) 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) (i) 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.

(ii) Three cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 318, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

(c)(i) ~~13.72-16.22~~ 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. 9. 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)~~ (c).

(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. 10. Minnesota Statutes 2006, section 298.28, subdivision 6, is amended to read:

Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2008 and thereafter, ~~33.9~~ 30.9 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) 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, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(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 school district other than a school district in which the mining and concentrating processes are conducted, .4541 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

Sec. 11. Minnesota Statutes 2006, section 298.28, is amended by adding a subdivision to read:

Subd. 9d. **Iron Range higher education account.** Two cents per taxable ton must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in an Iron Range higher education account that is hereby created, to be used for higher education programs conducted at educational institutions in the taconite assistance area defined in section 273.1341. The Iron Range Higher Education committee under section 298.2214 and the Iron Range Resources and Rehabilitation Board must approve all expenditures from the account.

**EFFECTIVE DATE.** This section is effective for production in 2008, distributions in 2009, and thereafter.

Sec. 12. 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 defined in section 273.1341 to be held and managed as a public trust for the benefit of the area for the purposes authorized in section 298.22, subdivision 5a.

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. 13. Minnesota Statutes 2006, section 298.296, subdivision 2, is amended to read:

**Subd. 2. Expenditure of funds.** (a) Before January 1, 2028, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust.

(b) Additionally, upon recommendation by the board, up to \$13,000,000 from the corpus of the trust may be made available for use as provided in subdivision 4, and up to \$10,000,000 from the corpus of the trust may be made available for use as provided in section 298.2961.

(c) Additionally, an amount equal to 20 percent of the value of the corpus of the trust on May 18, 2002, not including the funds authorized in paragraph (b), plus the amounts made available under section 298.28, subdivision 4, and Laws 2002, chapter 377, article 8, section 17, may be expended on projects. Funds may be expended for projects under this paragraph only if the project:

(1) is for the purposes established under section 298.292, subdivision 1, clause (1) or (2); and

(2) is approved by the board upon an affirmative vote of at least ten of its members.

No money made available under this paragraph or paragraph (d) can be used for administrative or operating expenses of the Iron Range Resources and Rehabilitation Board or expenses relating to any facilities owned or operated by the board on May 18, 2002.

(d) Upon recommendation by a unanimous vote of all members of the board, amounts in addition to those authorized under paragraphs (a), (b), and (c) may be expended on projects described in section 298.292, subdivision 1.

(e) Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

(f) Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

(g) Additionally, notwithstanding section 298.293, upon affirmative vote of a majority of the members of the board, money from the corpus of the trust may be expanded to purchase forest lands within the taconite assistance area as provided in sections 298.22, subdivision 5a, and 298.292, subdivision 2, clause (5).

Sec. 14. 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 ~~and the full~~ must be paid to St. Louis County for a grant to the City of Virginia for connecting sewer and water lines to the St. Louis County maintenance garage on Highway 135, further extending the lines to interconnect with the city of Gilbert's sewer and water lines. The total amount of the distributions in 2009 and subsequent years is allocated for projects under section 298.223, subdivision 1.

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

Sec. 15. 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 Nashwauk 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~~

commissioner of Iron Range Resources and Rehabilitation for deposit in a Highway 1 Corridor Account established by the commissioner, to be distributed by the commissioner 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 commissioner shall also be distributed to the recipient.

Sec. 16. 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 a taconite mine or the site of a previously operated taconite mine.

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. 17. 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. 18. 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. 19. 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. 20. IRON RANGE RESOURCES AND REHABILITATION BOARD; APPROPRIATION; RETIRE BONDS.**

Commencing with taxes payable in 2008 there is annually appropriated from the distribution of the taconite production tax revenues to the taconite environmental protection fund under Minnesota Statutes, section 298.28, subdivision 11, and to the Douglas J. Johnson economic protection trust fund under Minnesota Statutes, section 298.28, subdivisions 9 and 11, in equal shares, an amount of \$500,000 per year.

The revenue received under this section shall be used only to retire Mesabi East School District No. 2711 bonds in the amount of \$9,000,000 issued September 1, 2006, and in the amount of \$6,250,000 issued March 1, 2007. The payments shall continue for a period of ten years ending with taxes payable in 2017. Payments to the school district shall be made on March 1.

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

**Sec. 21. 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 H.F. No. 2245, if enacted, for the fiscal years indicated.

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

\$            1,041,000        .....    2009

The 2009 appropriation includes \$0 for fiscal year 2008 and \$1,041,000 for fiscal year 2009.

**Sec. 22. REPEALER.**

Minnesota Statutes 2006, section 126C.21, subdivision 4, is repealed.

**ARTICLE 9**

**SPECIAL TAXES**

Section 1. 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. The value of all property includable in the Minnesota gross estate of a decedent may be independently determined under those sections of the Internal Revenue Code for Minnesota estate tax purposes except:

(1) to the extent provided in section 291.075; or

(2) for property reported on a federal estate tax return with federal tax liability, the value of property accepted by the Internal Revenue Service following an audit of the return.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2005.

Sec. 2. Minnesota Statutes 2006, section 296A.18, subdivision 4, is amended to read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

**EFFECTIVE DATE.** This section is effective for revenue received after June 30, 2008.

Sec. 3. 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~~ 85 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~~ 85 percent of the actual June liability; or

(2) ~~78~~ 85 percent of the preceding May's liability.

**EFFECTIVE DATE.** This section is effective beginning with June 2009 tax liabilities.

Sec. 4. Minnesota Statutes 2006, section 297F.21, subdivision 3, is amended to read:

Subd. 3. **Inventory; judicial determination; appeal; disposition of seized property.** (a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall serve by certified mail an inventory of the property seized on the person from whom the seizure was made, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with the commissioner. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within 60 days after the date of service of the inventory, which is the date of mailing, the

person from whom the property was seized or any person claiming an interest in the property may file a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property is \$7,500 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than \$500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner, and no court fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

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

(1) ~~deliver the forfeited cigarette packages or tobacco products to the commissioner of human services for use by patients in state institutions~~ may authorize the forfeited property to be used for the purpose of enforcing a criminal provision of state or federal law;

(2) shall cause the property in clause (1) forfeited cigarette packages or tobacco products not used under clause (1) to be destroyed; or and products used under clause (1) to be destroyed upon the completion of use; and

(3) may cause the forfeited property, other than forfeited cigarette packages or tobacco products, to be sold at public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the Department of Revenue for deposit as a supplement to its operating fund or similar fund for official use, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(e) If no demand for judicial determination is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture.

**EFFECTIVE DATE.** This section is effective for forfeitures after June 30, 2007.

Sec. 5. 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 85 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 85 percent of the actual June liability; or
- (2) 78 85 percent of the preceding May liability.

**EFFECTIVE DATE.** This section is effective beginning with June 2009 tax liabilities.

Sec. 6. 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. 7. 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. 8. Minnesota Statutes 2006, section 383A.81, subdivision 1, is amended to read:

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383A.80 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, ~~or a regional rail authority.~~

Sec. 9. Minnesota Statutes 2006, section 383A.81, subdivision 2, is amended to read:

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; ~~or~~

~~(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic.~~

Sec. 10. 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. 11. [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. **Initial implementation.** Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 12. [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. 13. [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. **Initial implementation.** Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

**Sec. 14. [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. 15. **[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. **Initial implementation.** Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 16. **[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. 17. 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 10

### 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;~~

(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 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)~~ (14), 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)~~ (14), 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) to the extent included in federal taxable income, 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) to the extent included in federal taxable income, 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)~~ (15), 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)~~ (15), 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.

**EFFECTIVE DATE.** Clauses (11) and (12) are effective retroactively for taxable years beginning after December 31, 2004.

Sec. 11. 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. 12. 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 ~~(11)~~ (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 ~~407-147~~ 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. 13. 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. 14. 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. 15. 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. 16. 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. 17. 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 ~~(46)~~(14), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(19)~~(17), 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 ~~(4)~~ (8), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause ~~(4)~~ (9).

(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.

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, 2006.

Sec. 18. 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. 19. 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. 20. 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. 21. 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 11**

**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, excluding delivery of aggregate material used in road construction, and delivery of 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).

For purposes of clause (5), "road construction" means construction of (1) public roads, (2) cartways, and (3) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign.

(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.

(1) 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 7, is amended to read:

Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical devices are exempt:

(1) drugs for human use, including over-the-counter drugs;

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

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

(4) prosthetic devices;

(5) durable medical equipment for home use only;

(6) mobility enhancing equipment; ~~and~~

(7) prescription corrective eyeglasses; and

(8) kidney dialysis equipment, including repair and replacement parts.

(b) For purposes of this subdivision:

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

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

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

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

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

- (i) can withstand repeated use;
- (ii) is primarily and customarily used to serve a medical purpose;
- (iii) generally is not useful to a person in the absence of illness or injury; and
- (iv) is not worn in or on the body.

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

- (i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;
- (ii) is not generally used by persons with normal mobility; and
- (iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

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

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

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

- (i) artificially replace a missing portion of the body;
- (ii) prevent or correct physical deformity or malfunction; or
- (iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

(7) "Kidney dialysis equipment" means equipment that:

(i) is used to remove waste products that build up in the blood when the kidneys are not able to do so on their own; and

(ii) can withstand repeated use, including multiple use by a single patient.

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

Sec. 27. 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. 28. 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. 29. 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. 30. 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. 31. 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.

~~(e) 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. 32. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, ~~except that including electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product of facilities housing agricultural animals;~~

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; and

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

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

Sec. 33. 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. 34. Minnesota Statutes 2006, section 297A.70, is amended by adding a subdivision to read:

Subd. 18. **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. 35. 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. 36. **[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. 37. 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. 38. 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. 39. 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. 40. **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. 41. **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 12

### DEPARTMENT PROPERTY TAXES

Section 1. 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. 2. Minnesota Statutes 2006, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** ~~The Flight property of all~~ that is owned by, or is leased, loaned, or otherwise made available to an airline companies company 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. 3. 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. 4. 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. 5. **[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. 6. **[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. 7. 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. 8. 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. 9. 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. 10. Minnesota Statutes 2006, section 270.41, is amended by adding a subdivision to read:

Subd. 1a. **Definition.** For purposes of sections 270.41 to 270.50, "board" means the Board of Assessors.

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

Sec. 11. 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).~~ 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. 12. 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. 13. 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. 14. 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. 15. 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. 16. 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. 17. Minnesota Statutes 2006, section 270.47, is amended to read:

**270.47 RULES.**

The board shall ~~establish the~~ 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. 18. 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. 19. 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. 20. 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. 21. 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. 22. 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. 23. 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. 24. 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. 25. [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. 26. 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. 27. 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. 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 2008 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 receive 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) 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) 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) 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) 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) 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) 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) 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) 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) 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 273.1398, 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. 33. 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. 34. 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. 35. 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. 36. **[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. 37. 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. 38. 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. 39. [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. 40. 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. 41. 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)
\$.....	\$.....	.....%

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. 42. 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. 43. 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 by electronic means instead of 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. 44. 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. 45. 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~~ 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~~ 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~~ is at a rate of four percent until May 31 and eight percent on June 1. This penalty ~~shall does~~ 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~~ 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~~ 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~~ 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~~ is charged on all such unpaid taxes. If one-half of such taxes ~~shall are not be~~ 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. 46. 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. 47. 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. 48. 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. 49. 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. 50. 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. 51. **[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. 52. **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.

**EFFECTIVE DATE.** Paragraph (a) of this section is effective beginning January 2, 2007, for

taxes payable in 2008 and thereafter. Paragraph (b) of this section is 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, conveyor, 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.~~

~~(c)~~ (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 ~~H~~ 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 297F.06, subdivision 4, is amended to read:

Subd. 4. **Tobacco products use tax.** The tobacco products use tax does not apply to the possession, use, or storage of tobacco products ~~that~~ if (1) the tobacco products have an aggregate cost in any calendar month to the consumer of \$100 \$50 or less, and (2) the tobacco products were carried into this state by that consumer.

**EFFECTIVE DATE.** This section is effective for the possession, use, or storage of tobacco products on or after July 1, 2007.

Sec. 9. Minnesota Statutes 2006, section 297F.25, is amended by adding a subdivision to read:

Subd. 3a. **Consumer use tax; use tax return; cigarette consumer.** (a) On or before the 18th day of each calendar month, a consumer who, during the preceding calendar month, has acquired title to or possession of cigarettes for use or storage in this state, upon which the sales tax imposed by this section has not been paid, shall file a return with the commissioner showing the quantity of cigarettes so acquired or possessed. The return must be made in the form and manner prescribed by the commissioner, and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid sales tax liability shown by it.

(b) The tax imposed under paragraph (a) does not apply if (1) the consumer has acquired title to or possession of cigarettes for use or storage in this state in quantities of 200 or fewer in the month, and (2) the cigarettes were carried into this state by that consumer.

**EFFECTIVE DATE.** This section is effective for cigarettes which a consumer has acquired title to or possession of on or after July 1, 2007.

Sec. 10. Minnesota Statutes 2006, section 297I.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. 11. 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. 12. 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. 13. 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.

## ARTICLE 14

### DEPARTMENT MISCELLANEOUS

Section 1. 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 the day following final enactment.

Sec. 2. 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. 3. 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. 4. 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. 5. **[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. 6. 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. 7. 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. 8. 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. 9. 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 15

### 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 local mandates established after June 30, 1997 key 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 16A.103, subdivision 1a, is amended to read:

Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of inflation and variables outside the control of the legislature. ~~Expenditure estimates must not include an allowance for inflation.~~ A general inflation estimate must not include inflation on debt service or on programs for which a statutory growth factor is already included in the forecast.

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

Sec. 6. Minnesota Statutes 2006, section 16A.103, subdivision 1b, is amended to read:

Subd. 1b. **Forecast variable.** In determining the rate of inflation, the application of inflation, the amount of state bonding as it affects debt service, the calculation of investment income, and the other variables to be included in the expenditure part of the forecast, the commissioner must consult with the chairs and lead minority members of the senate State Government Finance Committee and the house Ways and Means Committee, and legislative fiscal staff. This consultation must occur at least three weeks before the forecast is to be released. No later than two weeks prior to the release of the forecast, the commissioner must inform the chairs and lead minority members of the senate State Government Finance Committee and the house Ways and Means Committee, and legislative fiscal staff of any changes in these variables from the previous forecast.

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

Sec. 7. 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. 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~~ \$150,000,000 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 current 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~~ \$803,000,000;

(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 \$22,300,000 to the Minnesota minerals 21st century fund created in section 116J.423; and~~

(4) the tax volatility reduction account until that account reaches the amount designated for transfer in the current biennium as provided in subdivision 8, paragraph (c).

~~(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) 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 next biennium, the commissioner of finance must allocate money to the tax volatility reduction account until that account reaches the amount designated for transfer in the next biennium as provided in subdivision 8, paragraph (f).

(c) The amounts necessary to meet the requirements of this section paragraph (a) 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. The amount necessary to meet the requirements of paragraph (b) are transferred from the general fund on the first day of the next biennium.

~~(e) 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.~~

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

Sec. 10. Minnesota Statutes 2006, section 16A.152, is amended by adding a subdivision to read:

**Subd. 8. Tax volatility reduction account.** (a) A tax volatility reduction account is created in the general fund.

(b) Beginning with the November 2007 economic forecast and for each subsequent economic forecast, the commissioner of finance, in consultation with the commissioner of revenue, shall estimate the revenue gain or loss anticipated for the current biennium and the next biennium, as a result of changes in taxpayer behavior in anticipation of (1) the sunset of favorable federal income tax rates for capital gains income under Public Law 108-27; (2) the extension of the sunset referenced in (1); or (3) any other federal law that changes federal income tax rates for capital gains income.

(c) If the commissioner estimates a revenue gain under paragraph (b) for the current biennium, and if the amount of gain estimated for the current biennium is more than the amount forecast to be in the tax volatility reduction account at the close of the current biennium, then the difference is designated for transfer to the tax volatility reduction account.

(d) If the commissioner estimates a revenue gain under paragraph (b) for the current biennium, and if the amount of gain estimated for the current biennium is less than the amount forecast to be in the tax volatility reduction account at the close of the current biennium, then the difference is transferred from the tax volatility reduction account to the general fund.

(e) If the commissioner estimates a revenue loss under paragraph (b) in the current biennium, then the amount adequate to offset the loss, to the extent it is available, is transferred from the tax volatility reduction account to the general fund.

(f) If the commissioner estimates a revenue gain for the next biennium under paragraph (b), and if the amount of gain estimated for the next biennium is more than the amount forecast to be in the tax volatility reduction account at the close of the next biennium, then the difference is designated for transfer to the tax volatility reduction account on the first day of the next biennium.

(g) If the commissioner estimates a revenue gain for the next biennium under paragraph (b), and if the amount of gain estimated for the next biennium is less than the amount forecast to be in the tax volatility reduction account at the close of the next biennium, then the difference is transferred from the tax volatility reduction account to the general fund on the first day of the next biennium.

(h) If the commissioner estimates a revenue loss under paragraph (a) in the next biennium, then the amount adequate to offset the loss, to the extent it is available, is transferred from the tax volatility reduction account to the general fund on the first day of the next biennium.

(i) For purposes of this subdivision "economic forecast" means the economic forecast prepared according to section 16A.103.

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

Sec. 11. Minnesota Statutes 2006, section 80A.28, subdivision 1, as amended by Laws 2007,

chapter 57, article 3, section 34, is amended to read:

Subdivision 1. **Registration or notice filing fee.** (a) There shall be a filing fee of \$100 for every application for registration or notice filing. There shall be an additional fee of one-tenth of one percent of the maximum aggregate offering price at which the securities are to be offered in this state, and the maximum combined fees shall not exceed \$300.

(b) When an application for registration is withdrawn before the effective date or a preeffective stop order is entered under section 80A.13, subdivision 1, all but the \$100 filing fee shall be returned. If an application to register securities is denied, the total of all fees received shall be retained.

(c) Where a filing is made in connection with a federal covered security under section 18(b)(2) of the Securities Act of 1933, there is a fee of \$100 for every initial filing. If the filing is made in connection with redeemable securities issued by an open end management company or unit investment trust, as defined in the Investment Company Act of 1940, there is an additional annual fee of 1/20 of one percent of the maximum aggregate offering price at which the securities are to be offered in this state during the notice filing period. The fee must be paid at the time of the initial filing and thereafter in connection with each renewal no later than July 1 of each year and must be sufficient to cover the shares the issuer expects to sell in this state over the next 12 months. If during a current notice filing the issuer determines it is likely to sell shares in excess of the shares for which fees have been paid to the commissioner, the issuer shall submit an amended notice filing to the commissioner under section 80A.122, subdivision 1, clause (3), together with a fee of 1/20 of one percent of the maximum aggregate offering price of the additional shares. Shares for which a fee has been paid, but which have not been sold at the time of expiration of the notice filing, may not be sold unless an additional fee to cover the shares has been paid to the commissioner as provided in this section and section 80A.122, subdivision 4a. If the filing is made in connection with redeemable securities issued by such a company or trust, there is no maximum fee for securities filings made according to this paragraph. If the filing is made in connection with any other federal covered security under Section 18(b)(2) of the Securities Act of 1933, there is an additional fee of one-tenth of one percent of the maximum aggregate offering price at which the securities are to be offered in this state, and the combined fees shall not exceed \$300. ~~Beginning with fiscal year 2001 and continuing each fiscal year thereafter, as of the last day of each fiscal year, the commissioner shall determine the total amount of all fees that were collected under this paragraph in connection with any filings made for that fiscal year for securities of an open end investment company on behalf of a security that is a federal covered security pursuant to section 18(b)(2) of the Securities Act of 1933. To the extent the total fees collected by the commissioner in connection with these filings exceed \$25,600,000 in a fiscal year, the commissioner shall refund, on a pro rata basis, to all persons who paid any fees for that fiscal year, the amount of fees collected by the commissioner in excess of \$25,600,000. No individual refund is required of amounts of \$100 or less for a fiscal year.~~

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

Sec. 12. Minnesota Statutes 2006, section 80A.65, subdivision 1, as amended by Laws 2007, chapter 57, article 3, section 35, is amended to read:

Subdivision 1. **Registration or notice filing fee.** (a) There shall be a filing fee of \$100 for every application for registration or notice filing. There shall be an additional fee of one-tenth of one percent of the maximum aggregate offering price at which the securities are to be offered in this

state, and the maximum combined fees shall not exceed \$300.

(b) When an application for registration is withdrawn before the effective date or a preeffective stop order is entered under section 80A.54, all but the \$100 filing fee shall be returned. If an application to register securities is denied, the total of all fees received shall be retained.

(c) Where a filing is made in connection with a federal covered security under section 18(b)(2) of the Securities Act of 1933, there is a fee of \$100 for every initial filing. If the filing is made in connection with redeemable securities issued by an open end management company or unit investment trust, as defined in the Investment Company Act of 1940, there is an additional annual fee of 1/20 of one percent of the maximum aggregate offering price at which the securities are to be offered in this state during the notice filing period. The fee must be paid at the time of the initial filing and thereafter in connection with each renewal no later than July 1 of each year and must be sufficient to cover the shares the issuer expects to sell in this state over the next 12 months. If during a current notice filing the issuer determines it is likely to sell shares in excess of the shares for which fees have been paid to the administrator, the issuer shall submit an amended notice filing to the administrator under section 80A.50, together with a fee of 1/20 of one percent of the maximum aggregate offering price of the additional shares. Shares for which a fee has been paid, but which have not been sold at the time of expiration of the notice filing, may not be sold unless an additional fee to cover the shares has been paid to the administrator as provided in this section and section 80A.50. If the filing is made in connection with redeemable securities issued by such a company or trust, there is no maximum fee for securities filings made according to this paragraph. If the filing is made in connection with any other federal covered security under Section 18(b)(2) of the Securities Act of 1933, there is an additional fee of one-tenth of one percent of the maximum aggregate offering price at which the securities are to be offered in this state, and the combined fees shall not exceed \$300. ~~Beginning with fiscal year 2001 and continuing each fiscal year thereafter, as of the last day of each fiscal year, the administrator shall determine the total amount of all fees that were collected under this paragraph in connection with any filings made for that fiscal year for securities of an open end investment company on behalf of a security that is a federal covered security pursuant to section 18(b)(2) of the Securities Act of 1933. To the extent the total fees collected by the administrator in connection with these filings exceed \$25,600,000 in a fiscal year, the administrator shall refund, on a pro rata basis, to all persons who paid any fees for that fiscal year, the amount of fees collected by the administrator in excess of \$25,600,000. No individual refund is required of amounts of \$100 or less for a fiscal year.~~

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

Sec. 13. 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, including a city that is 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 or city 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. 14. Minnesota Statutes 2006, section 270A.10, is amended to read:

**270A.10 PRIORITY OF CLAIMS.**

If two or more debts, in a total amount exceeding the debtor's refund, are submitted for setoff, the priority of payment shall be as follows: ~~First, any~~

~~(1) delinquent tax obligations of the debtor which are owed to the department shall be satisfied. Secondly, the refund shall be applied to;~~

~~(2) debts for child support based on the order in time in which the commissioner received the debts. Thirdly, the refund shall be applied to;~~

~~(3) payment of restitution obligations. Fourthly, the refund shall be applied to;~~

(4) claims brought for a hospital or an ambulance service;

(5) the remaining debts based on the order in time in which the commissioner received the debts.

Sec. 15. Minnesota Statutes 2006, section 270C.03, subdivision 1, is amended to read:

Subdivision 1. **Powers and duties.** The commissioner shall have and exercise the following powers and duties:

(1) administer and enforce the assessment and collection of taxes;

(2) make determinations, corrections, and assessments with respect to taxes, including interest, additions to taxes, and assessable penalties;

(3) use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments;

(4) investigate the tax laws of other states and countries, and formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of state revenue laws and to secure just and equal taxation and improvement in the system of state revenue laws;

(5) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

(6) execute and administer any agreement with the secretary of the treasury or the Bureau of Alcohol, Tobacco, Firearms, and Explosives in the Department of Justice of the United States or a representative of another state regarding the exchange of information and administration of the state revenue laws;

(7) require town, city, county, and other public officers to report information as to the collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe;

(8) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; and

(9) maintain toll-free telephone access for taxpayer assistance for calls from locations within the state; and

(10) exercise other powers and authority and perform other duties required of or imposed upon the commissioner by law.

**EFFECTIVE DATE.** This section is effective January 1, 2008.

**Sec. 16. [270C.21] TAXPAYER ASSISTANCE GRANTS.**

When the commissioner awards grants to nonprofit organizations to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services, the commissioner must provide public notice of the grants in a timely manner so that the grant process is completed and grants are awarded by October 1, in order for recipient organizations to adequately plan expenditures for the filing season. At the time the commissioner provides public notice, the commissioner must also notify nonprofit organizations that received grants in the previous biennium.

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

**Sec. 17. RUNWAY SAFETY AND AIRPORT ZONING ADVISORY TASK FORCE; APPROPRIATION.**

Subdivision 1. **Task force established.** An advisory task force on runway safety and airport zoning is established to study and make recommendations regarding best practices for safety implications of airport zoning at Minneapolis-St. Paul International Airport. The task force shall study:

(1) current law and public policy related to runway safety and airport zoning;

(2) existing studies and literature regarding best practices for safety at domestic and international airports;

(3) land use policies beyond the federal runway protection zone at airports comparable to Minneapolis-St. Paul International Airport, including, but not limited to:

(i) laws, regulations, ordinances, and policies in force regarding runway safety and zoning;

(ii) nature of ownership of the land beyond the federal runway protection zone;

(iii) the levels of government with zoning authority over the land; and

(iv) the impact on zoning and land use of the presence on the land of public roads and highways, bodies of water such as rivers and lakes, and other land uses;

(4) the appropriate extent and nature of state oversight in establishing runway safety zones and land use near airports;

(5) use of indemnification agreements; and

(6) other issues relating to land use and zoning areas around airports as determined by the task force.

Subd. 2. **Membership.** (a) The task force includes the following voting members:

(1) three members of the senate, two appointed by the majority leader and one appointed by the minority leader;

(2) three members of the house of representatives, two appointed by the speaker of the house of representatives and one appointed by the minority leader;

(3) the chair and ranking minority member of the house of representatives Transportation Finance Division;

(4) the chair and ranking minority member of the senate Transportation Budget and Policy Division;

(5) the chair and ranking minority member of the senate State and Local Government Operations and Oversight Committee; and

(6) the chair and ranking minority member of the house of representatives Local Government and Metropolitan Affairs Committee.

(b) The task force also includes the following nonvoting members:

(1) the director of the Department of Transportation Office of Aeronautics;

(2) the chair of the Metropolitan Council or a designee;

(3) a representative of the Metropolitan Airports Commission;

(4) a representative of the Airline Pilots Association;

(5) a representative of the Air Transport Association;

(6) a representative of the Minnesota Business Aviation Association;

(7) a representative of the Federal Aviation Administration;

(8) a representative of the Minnesota Council of Airports; and

(9) one representative selected by each of the governing bodies of the following local units of government: Hennepin County, and the cities of Bloomington, Eagan, Mendota, Mendota Heights, Minneapolis, Richfield, and St. Paul.

(c) The chair of the senate Transportation Budget and Policy Division shall convene the first meeting of the task force within two weeks after the legislative members have been appointed to the task force. The members shall elect a chair from their membership at the first meeting. Task force members must be appointed no later than August 1, 2007.

Subd. 3. **Report.** By February 15, 2008, the task force shall report its recommendations to the chairs of the legislative committees with jurisdiction over state aviation policy and the Metropolitan Airports Commission.

Subd. 4. **Expenses.** Per diem and expenses for public members of the task force are as provided for under Minnesota Statutes, section 15.059.

Subd. 5. **Expiration.** This section expires one month after the submission of the report as required under subdivision 3.

Subd. 6. **Appropriation.** \$100,000 in fiscal year 2008 is appropriated from the general fund to the Legislative Coordinating Commission for the administrative expenses of the Runway Safety and Airport Zoning Advisory Task Force, and for other costs relating to the preparation of the report required by the task force, including the costs of hiring a consultant, if needed. Any amount of this appropriation remaining after fiscal year 2008 must revert to the general fund.

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

Sec. 18. **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. 19. **FINANCIAL MANAGEMENT.**

Notwithstanding the provisions of Minnesota Statutes, section 16A.1522, subdivision 4, the commissioner of finance shall designate any positive general fund budgetary balance on June 30, 2007, as an unrestricted balance. Money so designated shall remain available for general fund appropriations authorized in fiscal years 2008 and 2009.

Sec. 20. **APPROPRIATIONS.**

(a) \$310,000 is appropriated for fiscal year 2008 from the general fund to the commissioner of revenue to administer this act.

(b) Of this amount:

(i) \$150,000 in fiscal year 2008 is for the fiscal disparities study required under article 2;

(ii) \$73,000 in fiscal year 2008 is for administering 1099 reporting requirements under article 4;

(iii) \$87,000 in fiscal year 2008 is for the sales tax report required under article 5; and

(iv) \$200,000 in fiscal year 2008 for preparing the data under section 18, provided that this appropriation must only be spent for those costs and the legislature intends that this appropriation not be used to supplant other funding for the functions of the research division of the Department of Revenue or to allow diversion of funds to other purposes under the provisions of Minnesota Statutes, section 16A.285, or any other provision of law. Any unused portion of this appropriation carries over to fiscal year 2009.

(c) \$100,000 is appropriated from the general fund for fiscal year 2008 to the commissioner of employment and economic development for a grant to the city of Austin to assist in the payment of costs related to the construction of the bioscience research facilities for a research institute to conduct cancer research under a collaboration agreement with the Mayo Clinic.

(d) All of these appropriations are onetime and are not added to the agency's base budget.

Sec. 21. **APPROPRIATION; ST. PAUL RIVER CENTRE DEBT SERVICE COSTS.**

\$2,000,000 is appropriated from the general fund to the commissioner of employment and economic development in fiscal year 2010 for a grant to the city of St. Paul to be used to pay, redeem, or refund debt service costs incurred for the River Centre Campus.

Sec. 22. **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 sales, estate, cigarette and tobacco products, gasoline, insurance premiums, aggregate removal, mortgage, deed, and production taxes, and other taxes and tax-related provisions; providing for aids to local governments; increasing maximum property tax refunds; requiring withholding; providing and modifying income tax credits; modifying taxation of certain compensation paid to nonresidents; modifying taxation of foreign operating corporations; modifying sales tax exemptions; modifying and authorizing local government taxes; prohibiting new local sales taxes; authorizing and modifying levies, property valuation procedures, homestead provisions, property tax classes, class rates, and tax bases; changing and providing property tax exemptions; changing JOBZ, border city allocation, tax increment financing, and economic development powers and incentives; changing provisions relating to fiscal disparities, budget forecasts and accounts, local impact notes, securities filing fees, state debt collection procedures, revenue recapture, sustainable forest incentives programs, and tax-forfeited lands; extending a petrofund fee exemption; authorizing utility rate adjustments; expanding the aggregate tax and distribution of the proceeds; changing distributions of production tax proceeds; providing for purchase of forest lands; providing for higher education grants in the taconite assistance area; authorizing and providing terms and conditions related to the issuance of obligations and the financing of public improvements and services; extending the time for certain publications of notices; requiring notices and publication of information; authorizing and validating trusts to pay certain public postemployment benefits; clarifying application of prevailing wage to JOBZ projects; changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; authorizing local governments to provide certain development incentives; providing rules for operation of certain tax increment financing districts; authorizing grants; requiring studies; establishing task forces; authorizing release of certain data; 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; 16A.103, subdivisions 1a, 1b, 2; 16A.152, subdivisions 1b, 2, by adding a subdivision; 16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 62I.06, subdivision 6; 71A.04, subdivision 1; 80A.28, subdivision 1, as amended; 80A.65, subdivision 1, as amended; 97A.061, subdivision 2; 116J.871, subdivision 1; 118A.03, subdivision 3; 123B.61; 126C.41, subdivision 2; 127A.48, subdivision 2; 216B.1646; 268.19, subdivision 1; 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; 270A.10; 270B.15; 270C.03, subdivision 1; 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; 273.111, subdivisions 3, 6, by adding subdivisions; 273.117; 273.121; 273.123, subdivisions 2, 3, 7; 273.124, subdivisions 13,

14, by adding a subdivision; 273.125, subdivision 8; 273.128, subdivision 1; 273.13, subdivisions 22, 23, 24, 25, 33, by adding a subdivision; 273.1315; 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, subdivision 3; 275.065, subdivisions 3, 5a, by adding a subdivision; 275.066; 275.067; 275.61, subdivision 1; 276.04, subdivision 2, by adding a subdivision; 276A.01, subdivision 3; 276A.04; 277.01, subdivision 2; 278.05, subdivision 6; 279.01, subdivision 1; 279.37, subdivision 1a; 280.39; 287.22; 287.2205; 289A.02, subdivision 7; 289A.08, subdivisions 11, 13; 289A.09, subdivision 2; 289A.12, subdivisions 4, 14, by adding a subdivision; 289A.18, subdivision 1; 289A.20, subdivision 4; 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, 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, subdivision 3; 290.0921, subdivision 3; 290.10; 290.17, subdivision 2; 290.191, subdivisions 2, 8; 290.92, by adding a subdivision; 290A.03, subdivisions 7, 15, as amended; 290A.04, subdivisions 2, 4, by adding a subdivision; 290A.14; 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; 296A.18, subdivision 4; 297A.61, subdivisions 3, 4, 7, 10, 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 7, 8, 9; 297A.68, subdivisions 5, 11, 16, 35; 297A.69, subdivisions 2, 3, 4; 297A.70, subdivisions 3, 7, 8, by adding a subdivision; 297A.71, subdivision 23, by adding a subdivision; 297A.72; 297A.75, subdivisions 1, 2, 3; 297A.90, subdivision 2; 297A.99, subdivision 1; 297B.03; 297B.035, subdivision 1; 297F.06, subdivision 4; 297F.09, subdivision 10; 297F.21, subdivision 3; 297F.25, by adding a subdivision; 297G.09, subdivision 9; 297I.06, subdivisions 1, 2; 297I.15, by adding a subdivision; 297I.20, subdivision 2; 297I.40, subdivision 5; 298.22, by adding a subdivision; 298.2214, subdivision 2; 298.24, subdivision 1; 298.25; 298.28, subdivisions 3, 4, 5, 6, by adding a subdivision; 298.292, subdivision 2; 298.296, subdivision 2; 298.2961, subdivisions 4, 5; 298.75, subdivisions 1, 3, 7, by adding a subdivision; 331A.05, subdivision 2; 360.031; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 373.40, subdivision 4; 375B.09; 383A.80, subdivision 4; 383A.81, subdivisions 1, 2; 383B.117, subdivision 2; 383B.77, subdivisions 1, 2; 383B.80, subdivision 4; 410.32; 412.301; 424A.10, subdivision 3; 435.193; 453A.02, subdivision 3; 469.169, by adding a subdivision; 469.1734, subdivision 6; 469.174, subdivisions 10, 10a; 469.175, subdivisions 1, 3; 469.176, subdivisions 1, 2, 4l, 7; 469.1761, subdivision 1; 469.1763, subdivision 2; 469.177, subdivision 1; 469.178, subdivision 7; 469.1791, subdivision 3; 469.312, subdivision 5, by adding a subdivision; 469.3201; 473.39, by adding subdivisions; 473F.01, subdivision 2; 473F.08, subdivisions 5, 7a, by adding a subdivision; 475.51, subdivision 4; 475.52, subdivision 6; 475.53, subdivision 1; 475.58, subdivisions 1, 3b; 477A.011, subdivision 36; 477A.0124, subdivision 5; 477A.013, subdivisions 1, 8, 9; 477A.03; 477A.12, subdivision 1; 477A.14, subdivision 1; Laws 1973, chapter 393, section 1, as amended; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1987, chapter 168, section 2; 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 1994, chapter 587, article 9, section 14, subdivisions 1, 2, 3; Laws 1995, chapter 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; Laws 1999, chapter 243, article 4, section 18, subdivisions 1, 3, 4; Laws 2003, chapter 128, article 1, section 172, as amended; Laws 2005, First Special Session chapter 3, article 5, section 39; article 10, section 23; Laws 2006, chapter 236, article 1, section 21; Laws 2006, chapter 259, article 11, section 3; proposing coding for new law

in Minnesota Statutes, chapters 17; 138; 270; 270C; 273; 274; 290C; 297A; 360; 383C; 383D; 383E; 471; 475; 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; 290A.04, subdivision 2; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22; 469.174, subdivision 29; 473F.08, subdivision 3a; Laws 1973, chapter 393, section 2; Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended; Laws 1998, chapter 389, article 11, section 18."

Senator Bakk moved to amend the Bakk amendment to H.F. No. 2268, the second unofficial engrossment, as follows:

Page 83, after line 18, insert:

"Sec. 8. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 35. Highway fuels tax credit. (a) A credit is allowed against the tax imposed under this section and section 290.091 to married individuals filing joint returns, surviving spouses as defined in section 2(a) of the Internal Revenue Code, unmarried individuals qualifying as heads of household under section 2(b) of the Internal Revenue Code, and unmarried individuals who are not claimed as a dependent on another taxpayer's return and who have attained the age of 18 by the end of the taxable year. To qualify, the taxpayer's taxable net income for the taxable year must not exceed the maximum amount that is taxable at the lowest rate under subdivision 2c. The amount of the credit equals \$50 for the taxpayer. For taxpayers with taxable net income that exceeds the amount of income taxable at the lowest rate under subdivision 2c, the credit amount is zero. 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).

(b) If the amount of the credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's liability for tax under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refunds authorized under this subdivision is annually appropriated from the highway user tax distribution fund to the commissioner. The amount necessary to meet the cost of nonrefundable credits authorized under this subdivision is annually transferred from the highway user tax distribution fund to the general fund.

**EFFECTIVE DATE.** This section is effective only if an increase in the rate of tax under Minnesota Statutes, section 296A.07, of at least 5 cents per gallon of gasoline is enacted into law during the 2007 legislative session. The credit applies for taxable years beginning after December 31, 2006, except for taxable years beginning during calendar year 2007, the credit is \$25."

Page 113, delete section 30

Page 309, line 9, delete "\$310,000" and insert "\$510,000"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

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

Senator Ortman moved to amend the first Bakk amendment to H.F. No. 2268, the second unofficial engrossment, adopted by the Senate May 21, 2007, as follows:

Page 299, delete sections 5 and 6

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

### CALL OF THE SENATE

Senator Bakk imposed a call of the Senate for the balance of the proceedings on H.F. No. 2268. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Ortman amendment to the first Bakk amendment.

The roll was called, and there were yeas 22 and nays 43, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

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

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

Senator Olseen moved to amend the first Bakk amendment to H.F. No. 2268, the second unofficial engrossment, adopted by the Senate May 21, 2007, as follows:

Page 137, line 20, delete "in" and insert "outside" and delete "11-county" and insert "7-county"

Page 137, line 21, delete "Chisago," and delete "Isanti,"

Page 137, line 22, delete "Sherburne," and before "Washington" insert "and" and delete "and Wright, or outside of that metropolitan area"

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

H.F. No. 2268 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 53 and nays 13, as follows:

Those who voted in the affirmative were:

Anderson	Dille	Langseth	Olson, G.	Sieben
Bakk	Doll	Larson	Olson, M.	Skoe
Berglin	Erickson Ropes	Latz	Pappas	Skogen
Betzold	Fischbach	Lourey	Pogemiller	Sparks
Bonoff	Foley	Lynch	Prettner Solon	Tomassoni
Carlson	Frederickson	Marty	Rosen	Torres Ray
Chaudhary	Gimse	Metzen	Rummel	Vanderveer
Clark	Higgins	Moua	Saltzman	Vickerman
Cohen	Ingebrigtsen	Murphy	Saxhaug	Wiger
Day	Koering	Neuville	Scheid	
Dibble	Kubly	Olseen	Sheran	

Those who voted in the negative were:

Gerlach	Jungbauer	Michel	Rest	Wergin
Hann	Koch	Ortman	Robling	
Johnson	Limmer	Pariseau	Senjem	

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 the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

**S.F. No. 1966:** A bill for an act relating to gambling; modifying expenditure restrictions; clarifying certain game requirements, prize amounts, and making other changes to lawful gambling; amending Minnesota Statutes 2006, sections 349.15, subdivision 1; 349.163, by adding a subdivision; 349.211; repealing Minnesota Statutes 2006, section 349.19, subdivision 2b.

Senate File No. 1966 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 21, 2007

### CONCURRENCE AND REPASSAGE

Senator Rest moved that the Senate concur in the amendments by the House to S.F. No. 1966 and that the bill be placed on its repassage as amended. The motion prevailed.

**S.F. No. 1966:** A bill for an act relating to gambling; providing and modifying definitions; modifying expenditure restrictions; clarifying certain game requirements, prize amounts, and

making other changes to lawful gambling; amending Minnesota Statutes 2006, sections 349.12, subdivisions 25, 25d, by adding a subdivision; 349.15, subdivision 1; 349.163, by adding a subdivision; 349.17, subdivision 8; 349.211; repealing Minnesota Statutes 2006, section 349.19, subdivision 2b.

Was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 66 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

#### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

**House Concurrent Resolution No. 4:** A House concurrent resolution relating to adjournment until 2008.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 21 , 2007

**House Concurrent Resolution No. 4:** A House concurrent resolution relating to adjournment until 2008.

BE IT RESOLVED by the House of Representatives, the Senate concurring:

(1) Upon its adjournment May 21, 2007, the House of Representatives may set its next day of meeting for February 12, 2008, at 12:00 noon, and the Senate may set its next day of meeting for February 12, 2008, at 12:00 noon.

(2) By the adoption of this resolution, each house consents to adjournment of the other house for more than three days.

Senator Pogemiller moved the adoption of the foregoing resolution. The motion prevailed. So the resolution was adopted.

### **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 bills were read the first time.

#### **Senator Rest introduced—**

**S.F. No. 2346:** A bill for an act relating to taxation; repealing the sales tax exemption on clothing; decreasing the sales tax rate; creating an income tax credit; adjusting local option sales tax rates; appropriating money; amending Minnesota Statutes 2006, sections 295.60, subdivision 1; 297A.62, subdivision 1; 297B.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 290; repealing Minnesota Statutes 2006, section 297A.67, subdivision 8.

Referred to the Committee on Taxes.

#### **Senators Tomassoni, Pappas and Dibble introduced—**

**S.F. No. 2347:** A bill for an act relating to railroads; enacting General Railroad Safety Act; amending Minnesota Statutes 2006, section 609.85, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 219.

Referred to the Committee on Transportation.

#### **Senators Saltzman, Wergin and Neuville introduced—**

**S.F. No. 2348:** A bill for an act relating to capital improvements; appropriating money for public ice facilities; authorizing the sale and issuance of state bonds.

Referred to the Committee on Finance.

#### **Senators Frederickson, Vickerman, Saltzman, Larson and Kubly introduced—**

**S.F. No. 2349:** A bill for an act relating to capital improvements; appropriating money for the Southwest Regional Amateur Sports Facility; authorizing the sale and issuance of state bonds.

Referred to the Committee on Finance.

#### **Senator Metzen introduced—**

**S.F. No. 2350:** A bill for an act relating to capital investment; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature; authorizing the

issuance of state bonds; appropriating money for restoration of Bridge 5600.

Referred to the Committee on Finance.

**Senators Prettner Solon, Chaudhary, Kubly, Rummel and Cohen introduced–**

**S.F. No. 2351:** A bill for an act relating to health; guaranteeing that all necessary health care is available and affordable for every Minnesotan; establishing the Minnesota Health Care Plan; requiring a report; appropriating money; amending Minnesota Statutes 2006, sections 15.01; 15.06, subdivision 1; 15A.0815, subdivision 2; 43A.08, subdivision 1a; proposing coding for new law as Minnesota Statutes, chapter 62U.

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

**Senators Pappas, Olseen, Moua, Sieben and Bakk introduced–**

**S.F. No. 2352:** A bill for an act relating to health; guaranteeing that all necessary health care is available and affordable for every Minnesotan; establishing the Minnesota Health Care Plan; requiring a report; appropriating money; amending Minnesota Statutes 2006, sections 15.01; 15.06, subdivision 1; 15A.0815, subdivision 2; 43A.08, subdivision 1a; proposing coding for new law as Minnesota Statutes, chapter 62U.

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

**Senators Foley, Doll, Higgins, Skogen and Skoe introduced–**

**S.F. No. 2353:** A bill for an act relating to health; guaranteeing that all necessary health care is available and affordable for every Minnesotan; establishing the Minnesota Health Care Plan; requiring a report; appropriating money; amending Minnesota Statutes 2006, sections 15.01; 15.06, subdivision 1; 15A.0815, subdivision 2; 43A.08, subdivision 1a; proposing coding for new law as Minnesota Statutes, chapter 62U.

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

**Senator Metzen introduced–**

**S.F. No. 2354:** A bill for an act relating to capital investment; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature; authorizing the issuance of state bonds; appropriating money for expansion of the Inver Grove Heights Veterans Memorial Community Center.

Referred to the Committee on Finance.

**Senators Chaudhary, Rummel, Larson, Saltzman and Frederickson introduced–**

**S.F. No. 2355:** A bill for an act relating to capital improvements; appropriating money for the Metro North Regional Sports Facility; authorizing the sale and issuance of state bonds.

Referred to the Committee on Finance.

**Senator Anderson introduced—**

**S.F. No. 2356:** A bill for an act relating to the Minnesota Historical Society; appropriating money for a bust of former United States Supreme Court Justice Harry A. Blackmun.

Referred to the Committee on Finance.

**Senator Bakk introduced—**

**S.F. No. 2357:** A bill for an act relating to constitutional amendments; proposing an amendment to the Minnesota Constitution, article XI; increasing the income tax rate for certain income brackets and dedicating the receipts for property tax relief; amending Minnesota Statutes 2006, section 290.62.

Referred to the Committee on Taxes.

**Senator Dibble introduced—**

**S.F. No. 2358:** A bill for an act relating to capital investment; appropriating money for energy-efficient design and construction grants; authorizing the issuance of general obligation bonds.

Referred to the Committee on Finance.

**Senator Olson, M. introduced—**

**S.F. No. 2359:** A bill for an act relating to retirement; general state employees retirement plan of the Minnesota State Retirement System; payment of member contributions for certain military service leave periods; amending Minnesota Statutes 2006, section 352.27.

Referred to the Committee on State and Local Government Operations and Oversight.

**Senators Scheid and Limmer introduced—**

**S.F. No. 2360:** A bill for an act relating to capital improvements; appropriating money to construct the Northwest Hennepin Family Center in Brooklyn Center; authorizing the sale of state bonds.

Referred to the Committee on Finance.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Rest moved that her name be stricken as chief author, shown as a co-author, and the name of Senator Langseth be added as chief author to S.F. No. 887. The motion prevailed.

Senator Betzold moved that his name be stricken as a co-author to S.F. No. 887. The motion prevailed.

Senator Robling moved that her name be stricken as a co-author to S.F. No. 887. The motion prevailed.

Senator Langseth moved that the name of Senator Lynch be added as a co-author to S.F. No. 887. The motion prevailed.

Senator Scheid moved that her name be stricken as chief author, and the name of Senator Skoe be added as chief author to S.F. No. 1688. The motion prevailed.

Senator Pogemiller moved that S.F. No. 2097, No. 37 on General Orders, be stricken and re-referred to the Committee on Rules and Administration. The motion prevailed.

Senator Pogemiller moved that S.F. No. 14, No. 38 on General Orders, be stricken and re-referred to the Committee on Rules and Administration. The motion prevailed.

Senator Pogemiller moved that H.F. No. 1781, No. 8 on General Orders, be stricken and re-referred to the Committee on Rules and Administration. The motion prevailed.

Senator Pogemiller moved that H.F. No. 1048, No. 29 on General Orders, be stricken and re-referred to the Committee on Rules and Administration. The motion prevailed.

### RECESS

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

### CALL OF THE SENATE

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

### MOTIONS AND RESOLUTIONS - CONTINUED

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

### REPORTS OF COMMITTEES

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

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

**S.F. No. 2283:** A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 2006, section 523.24, subdivision 9.

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

Page 2, after line 18, insert:

"Sec. 2. [CORR07-1] Laws 2007, chapter 57, article 1, section 4, subdivision 4, is amended to read:

<b>Subd. 4. Forest Management</b>	44,495,000	43,393,000
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Appropriations by Fund

General	24,755,000	24,836,000
Natural Resources	19,483,000	18,293,000
Game and Fish	257,000	264,000

\$7,217,000 the first year and \$7,217,000 the second year are for prevention, presuppression, and suppression costs of emergency firefighting and other costs incurred under Minnesota Statutes, section 88.12. If the appropriation for either year is insufficient to cover all costs of presuppression and suppression, the amount necessary to pay for these costs during the biennium is appropriated from the general fund.

By November 15 of each year, the commissioner of natural resources shall submit a report to the chairs of the house and senate committees and divisions having jurisdiction over environment and natural resources finance, identifying all firefighting costs incurred and reimbursements received in the prior fiscal year. These appropriations may not be transferred. Any reimbursement of firefighting expenditures made to the commissioner from any source other than federal mobilizations shall be deposited into the general fund.

\$17,983,000 the first year and \$18,293,000 the second year are from the forest management investment account in the natural resources fund for only the purposes specified in Minnesota Statutes, section 89.039, subdivision 2.

Of this amount:

(1) \$750,000 each year is for additional staff

to enhance timber sales;

(2) \$1,000,000 each year is for forest improvements;

(3) \$1,100,000 each year is for forest road maintenance;

(4) \$600,000 each year is for the ecological classification system on state forest lands;

(5) \$350,000 each year is for the prevention of invasive species on state forest lands; and

(6) \$400,000 each year is for the re-inventory of state forest lands.

Money for forest road maintenance is onetime.

\$780,000 the first year and \$780,000 the second year are for the Forest Resources Council for implementation of the Sustainable Forest Resources Act.

\$40,000 the first year is for the Forest Resources Council to provide a grant to the University of Minnesota to prepare a statewide plan to address the fragmentation and parcelization of large blocks of forest land in the state.

\$200,000 in fiscal year 2008 is for a grant to the Forest Resources Research Advisory Committee to provide direction on research topics recommended by the governor's task force on the competitiveness of Minnesota's primary forest products industry.

\$350,000 the first year and \$350,000 the second year are for the FORIST timber management information system, other information systems, and for increased forestry management. The amount in the second year is also available in the first year.

\$257,000 the first year and \$264,000 the second year are from the game and fish fund to implement ecological classification systems (ECS) standards on forested landscapes. This appropriation is from revenue deposited in the

game and fish fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (1).

\$110,000 the first year is to develop and implement a statewide information and education campaign regarding the statewide ban on the transport, storage, or use of nonapproved firewood on state-administered lands.

\$1,500,000 the first year is from the forest management investment account in the natural resources fund for the purposes of section ~~157~~ 158. This is a onetime appropriation.

\$75,000 the first year is to the Forest Resources Council for a task force on forest protection and \$75,000 the second year is appropriated to the commissioner for grants to cities, counties, townships, special recreation areas, and park and recreation boards in cities of the first class for the identification, removal, disposal, and replacement of dead or dying shade trees lost to forest pests or disease. For purposes of this section, "shade tree" means a woody perennial grown primarily for aesthetic or environmental purposes with minimal to residual timber value. The commissioner shall consult with municipalities; park and recreation boards in cities of the first class; nonprofit organizations; and other interested parties in developing eligibility criteria.

\$200,000 in fiscal year 2008 is for a grant to the Natural Resources Research Institute for silvicultural research to improve the quality and quantity of timber fiber. The appropriation must be matched in the amount of \$200,000 in cash or in-kind contributions from the forest products industry members of the Minnesota Forest Productivity Research Cooperative.

\$1,000,000 the first year and \$1,000,000 the second year are to support additional technical and cost-share assistance to nonindustrial private forest (NIPF)

landowners. The base appropriation in fiscal year 2010 and later is \$500,000.

\$200,000 the first year and \$200,000 the second year are to address escalating land asset management demands, such as boundary disputes, access easements, and sale, exchange, and acquisition of forest lands.

Sec. 3. [CORR07-1A] Laws 2007, chapter 57, article 1, section 5, is amended to read:

**Sec. 5. BOARD OF WATER AND SOIL RESOURCES**

**\$ 32,153,000 \$ 17,482,000**

\$4,102,000 the first year and \$4,102,000 the second year are for natural resources block grants to local governments. The board may reduce the amount of the natural resources block grant to a county by an amount equal to any reduction in the county's general services allocation to a soil and water conservation district from the county's previous year allocation when the board determines that the reduction was disproportionate. Grants must be matched with a combination of local cash or in-kind contributions. The base grant portion related to water planning must be matched by an amount that would be raised by a levy under Minnesota Statutes, section 103B.3369.

\$3,566,000 the first year and \$3,566,000 the second year are for grants requested by soil and water conservation districts for general purposes, nonpoint engineering, and implementation of the reinvest in Minnesota conservation reserve program. Upon approval of the board, expenditures may be made from these appropriations for supplies and services benefiting soil and water conservation districts. Any district requesting a grant under this paragraph shall create and maintain a Web page that publishes, at a minimum, its annual plan, annual report, annual audit, and annual budget, including membership dues and meeting notices and minutes.

\$3,285,000 the first year and \$3,285,000

the second year are for grants to soil and water conservation districts for cost-sharing contracts for erosion control and water quality management. Of this amount, at least \$1,200,000 the first year and \$1,200,000 the second year are for grants for cost-sharing contracts to establish and maintain vegetation buffers of restored native prairie and restored prairie using seeds of a local ecotype region. \$300,000 the first year and \$300,000 the second year are available to begin county cooperative weed management programs on natural lands and private lands enrolled in state and federal conservation programs and to restore native plants in selected invasive species management sites by providing local native seeds and plants to landowners for implementation. This appropriation is available until expended. If the appropriation in either year is insufficient, the appropriation in the other year is available for it. Notwithstanding Minnesota Statutes, section 103C.501, any balance in the board's cost-share program that remains from the fiscal year 2007 appropriation is available in an amount up to \$2,000 for a grant to the Faribault Soil and Water Conservation District to pay for erosion repair on the Blue Earth River, and up to \$40,000 is available for grants to soil and water conservation districts for Web site development and reporting; and \$100,000 in fiscal years 2008 and 2009 is for evaluating and reporting on performance, financial, and activity information of local water management entities as provided for in section ~~103~~ 104.

The board shall develop a forestry practice docket for cost-share money. The board shall develop standards or policies for cost-share practices for the following purposes: (1) establishment and maintenance of vegetated buffers of restored prairie or restored native prairie using seeds of a local ecotype; (2) establishment of cooperative weed management programs on private natural lands and lands enrolled in state and federal

conservation programs and restoration of native plants in selected invasive species management sites by providing local native seeds and plants to landowners; and (3) establishment of soil and water conservation and ecological improvement practices on private forest lands.

\$100,000 the first year and \$100,000 the second year are for a grant to the Red River Basin Commission to develop a Red River basin plan and to coordinate water management activities in the states and provinces bordering the Red River. The unencumbered balance in the first year does not cancel but is available for the second year.

\$14,166,000 is for implementation of the Clean Water Legacy Act, in accordance with Minnesota Statutes, chapter 114D, as follows:

(1) \$3,316,000 is for targeted nonpoint restoration cost-share and incentive payments, of which up to \$3,116,000 is available for grants. Of this amount, \$1,500,000 is for agricultural watershed restoration projects that are located in a watershed impaired by nonpoint agricultural sources and are designed to provide long-term restoration of surface water quality through restoration of the natural hydrological function to working lands. Of this amount, \$500,000 must be contracted for services with the Minnesota Conservation Corps. The grant funds are available until expended;

(2) \$3,000,000 is for targeted nonpoint restoration and protection and technical, compliance, and engineering assistance activities, of which up to \$2,400,000 is available for grants, and \$225,000 the first year is to inventory wetland mitigation opportunities and water quality and watershed improvement projects in a greater than 80 percent area and of which \$150,000 the first year is to conduct a regionwide wetland mitigation siting analysis for greater than 80 percent areas. The \$225,000 amount shall

include an inventory of the wetland and water resources that have been developed on former mine lands and an analysis of the functions and values of those wetland and water resources. This is a onetime appropriation and is available until June 30, 2009. The \$150,000 amount for analysis shall (i) evaluate wetland mitigation opportunities in each watershed and wetland bank service area, (ii) develop goals for maintaining water quality in the greater than 80 percent areas, and (iii) identify wetland mitigation opportunities in other regions with a greater loss of wetlands or with impaired waters. This is a onetime appropriation and is available until June 30, 2009. A report on the analysis outcomes shall be given to the house and senate chairs of the environment and natural resources policy and finance committees by January 15, 2009;

(3) \$400,000 is for reporting and evaluating applied soil and water conservation practices;

(4) \$2,450,000 is for grants to implement county individual sewage treatment system programs. Of this amount, after a county has complied with requirements to adopt ordinances pursuant to Minnesota Statutes, section 115.55, subdivision 2, the county may request grants of up to \$130,000 to inventory properties with individual sewage treatment systems that are an imminent threat to public health or safety due to water discharges of untreated sewage, and require compliance under an applicable ordinance. The grant amount shall be proportional to the number of properties expected to be inventoried. Each county receiving an appropriation under this paragraph shall report the number of inspections and the number determined to be an imminent threat to public health or safety to the Pollution Control Agency by February 1 of each year;

(5) \$3,000,000 is for feedlot water quality grants for feedlots under 300 animal units where there are impaired waters;

(6) \$1,000,000 in fiscal year 2008 is for grants to support local nonpoint source protection activities related to lake and river protection and management; and

(7) \$1,000,000 in fiscal year 2008 is for grants to address imminent threat and failing individual sewage treatment systems.

If the appropriations in clauses (1) to (7) in either year are insufficient, the appropriation in the other year is available for it. All of the money appropriated in clauses (1) to (7) as grants to local governments shall be administered through the Board of Water and Soil Resources' local water resources protection and management program under Minnesota Statutes, section 103B.3369.

\$100,000 each year is to the Minnesota River Basin Joint Powers Board, also known as the Minnesota River Board, for operating expenses to measure and report the results of projects in the 12 major watersheds within the Minnesota River basin.

By January 1, 2008, the board shall report to the senate and house of representatives environmental finance divisions on the financial needs to bring all feedlots in the state that are under 300 animal units into compliance with Pollution Control Agency rules by October 1, 2010, and comply with the requirements of Minnesota Statutes, section 116.07, subdivision 7, paragraph (p).

\$140,000 the first year and \$140,000 the second year are for a grant to Area II, Minnesota River Basin Projects, for floodplain management, including administration of programs.

\$1,120,000 the first year and \$1,060,000 the second year may be spent for the following purposes to support implementation of the Wetland Conservation Act: \$250,000 each year is to make grants to local units of governments within the 11-county metropolitan area to improve response to

major wetland violations; \$250,000 each year is for transfer to the commissioner of natural resources for enforcement of wetland violations; \$500,000 each year is for staffing to provide adequate state oversight and technical support to local governments administering the Wetland Conservation Act; \$60,000 each year is for staff to monitor and enforce wetland replacement and wetland bank sites; and \$60,000 the first year is for rulemaking required by changes to the Wetland Conservation Act. The board must include in its biennial report to the legislature information on all state and local units of government, including special purpose districts, impacts on wetlands in the state.

\$450,000 the first year and \$800,000 the second year are to implement recommendations of the Drainage Work Group to enhance public drainage and modernization as follows: \$150,000 the first year is to develop guidelines for drainage records preservation and modernization; \$500,000 the second year is for cost-share grants to local governments for public drainage records modernization; and \$300,000 each year is to provide assistance to local drainage management officials, to facilitate the work of the Drainage Work Group, to staff a drainage assistance team, and to update the Minnesota Public Drainage Manual. All of the money appropriated in this paragraph as grants to local governments shall be administered through the Board of Water and Soil Resources' local water resources protection and management program under Minnesota Statutes, section 103B.3369.

In addition to other authorities, the Board of Water and Soil Resources may reduce, withhold, or redirect grants and other funding if the local water management entity has not corrected deficiencies as prescribed in a notice from the board within one year from the date of the notice.

\$500,000 the first year is to provide grants for bioenergy crop research and monitoring, including, but not limited to, water quality, water quantity utilized, soil carbon storage, biological diversity, wildlife and habitat impacts and benefits, and small diameter woody bioenergy. Of this amount, \$300,000 is for a grant to the Minnesota Forest Resources Council for conducting site level ecological research and assessments as identified by the council's biomass technical committee. Additional money from other sources should be sought to accomplish this purpose.

\$200,000 in fiscal year 2008 is to develop clean energy program guidelines and standards.

\$200,000 is for a grant to the city of Gaylord to construct and reconstruct storm water sewer drains and related facilities to divert water that currently drains into Lake Titlow into holding ponds south of the city. The cost of reconstructing city streets as part of this diversion, and as outlined in the city of Gaylord's street improvement plan, is the responsibility of the city. This diversion will keep phosphorus and other chemicals from entering the lake, and will improve the water quality of Lake Titlow.

The appropriations for grants in this section are available until expended. If an appropriation for grants in either year is insufficient, the appropriation in the other year is available for it.

Sec. 4. [CORR07-1B] Laws 2007, chapter 57, article 1, section 164, is amended to read:

**Sec. 164. CONSTRUCTION.**

Nothing in sections ~~139, 140, 141, and 162~~ 140, 141, 142, and 163 affects, alters, or modifies the authorities, responsibilities, obligations, or powers of the state or any political subdivision thereof or any federally recognized tribe.

Sec. 5. [CORR07-1C] Laws 2007, chapter 57, article 2, section 3, subdivision 6, is amended to read:

Subd. 6. <b>Energy and Telecommunications</b>	<b>\$</b>	<b>23,036,000</b>	<b>\$</b>	<b>14,148,000</b>
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Appropriations by Fund		
General	15,411,000	6,523,000
Special Revenue	7,625,000	7,625,000

The utility subject to Minnesota Statutes, section 116C.779, shall transfer \$7,625,000 in fiscal year 2008 and \$7,625,000 in fiscal year 2009 to the Department of Commerce on a schedule to be determined by the commissioner of commerce. The funds must be deposited in the special revenue fund and are appropriated to the commissioner for grants to promote renewable energy projects and community energy outreach and assistance. Of the amounts identified:

- (1) \$500,000 each year for capital grants for on-farm biogas recovery facilities; eligible projects will be selected in coordination with the Department of Agriculture and the Pollution Control Agency;
- (2) \$500,000 each year to provide financial rebates to new solar electricity projects;
- (3) \$625,000 each year for continued funding of community energy technical assistance and outreach on renewable energy and energy efficiency, as described in section 25 27. Of this amount, \$125,000 is for technical assistance in the metropolitan area;
- (4) \$1,000,000 each year is for technical analysis and demonstration funding for automotive technology projects, with a special focus on plug-in hybrid electric vehicles and to study environmental-friendly manufacturing and assembly processes to identify ones that could employ workers formerly employed at the St. Paul Ford manufacturing plant and other large manufacturing facilities in Minnesota;
- (5) \$750,000 in the first year is for the purpose of preparing the hydrogen road map and making grants under Minnesota Statutes, section 216B.813;

(6) \$2,000,000 in the first year is for deposit with the rural wind energy development revolving loan fund under Minnesota Statutes, section 216C.39;

(7) \$2,250,000 the first year and \$2,000,000 the second year are to provide competitive, cost-share grants to fund renewable energy research in Minnesota. These grants must be awarded by a three-member panel made up of the commissioners of commerce, pollution control, and agriculture, or their designees. Grant applications must be ranked and grants issued according to how well the applications meet state energy policy research goals established by the commissioners, the quality and experience of the research teams, the cross-interdisciplinary and cross-institutional nature of the research teams, and the ability of the research team to leverage nonstate funds; and

(8) \$3,000,000 the second year is for a grant to the Board of Regents of the University of Minnesota for the Initiative for Renewable Energy and the Environment. The grant is for the purposes set forth in Minnesota Statutes, section 216B.241, subdivision 6. The appropriation is available until spent. The budget for this grant to the Board of Regents of the University of Minnesota for the Initiative for Renewable Energy and the Environment is \$5,000,000 each year in the 2010-2011 fiscal biennium.

As a condition of this grant, beginning in the 2010-2011 biennium, the Initiative for Renewable Energy and the Environment must set aside at least 15 percent of the funds received annually under the grant for qualified projects conducted at a rural campus or experiment station. Any amount of the set aside funds that has not been awarded to a rural campus or experiment station at the end of the fiscal year must revert back to the initiative for its exclusive use.

\$1,500,000 the first year and \$1,500,000 the

second year are for E85 cost-share grants. The commissioner may reimburse owners of gasoline service stations for up to 75 percent of the total cost of installing an E85 pump, including the tank and any related components, up to a maximum of \$15,000 per E85 pump. Notwithstanding Minnesota Statutes, section 16A.28, this appropriation is available until expended. Up to ten percent of the funds may be used for cost-share grants to convert or install underground tanks at retail gasoline service stations storing biodiesel fuel that is at least 99.9 percent biodiesel fuel by volume for on-site blending and for dispensing systems at retail gasoline service stations that dispense biodiesel fuel blends of at least ten percent biodiesel fuel by volume. In awarding grants, the commissioner of commerce must consult with the Minnesota Soybean Growers Association and may consult with other organizations deemed appropriate. This is a onetime appropriation.

\$4,500,000 the first year is for a onetime grant to the St. Paul Port Authority in part for a study related to a steam and electrical energy facility to supply energy to a customer using steam in a paper recycling operation.

The port authority shall convene and regularly involve a citizen advisory committee composed of members recommended by St. Paul district councils 11, 12, 13, and 14 and other members as appropriate to advise on the scope of the study. The citizen advisory committee must meet regularly throughout the course of the study and the development of recommendations. The citizen advisory committee shall have the right to include its separate recommendations as part of the port authority recommendations submitted at the public meeting and to the St. Paul City Council.

The study shall:

- (1) assess the economic and technical feasibility of various fuel types to power the

plant;

(2) provide a full description and analysis of each fuel type and their respective economic and noneconomic impacts;

(3) provide a full description and analysis of each fuel type and their respective environmental emissions, including carbon dioxide, and the cost of controlling those emissions that affect human health;

(4) describe public subsidies related to the production and use of each fuel type;

(5) describe potential energy efficiency improvement that can be made to the paper recycling operation and subsidies available for each improvement; and

(6) evaluate additional uses for the steam and electricity produced at the facility and the cost of infrastructure needed to implement the additional uses.

In addition, the grant may be used for environmental review, permitting, preliminary engineering, and development of total project cost estimates, including project design and engineering, other preliminary work, and a preliminary financing plan for the steam and electricity producing facility. The St. Paul Port Authority shall present the findings of its analysis and its preferred alternative for an eligible energy technology fuel mix in at least two public meetings that must be held in the area encompassing districts 11, 12, 13, and 14 in the city of St. Paul. "Eligible energy technology" has the meaning given in Minnesota Statutes, section 216B.1691, subdivision 1, except that it does not include mixed municipal solid waste as an eligible energy technology. The recommendation of the St. Paul Port Authority concerning its preferred alternative fuel mix must be based on the alternative that has the least environmental impact consistent with the economic viability and technical feasibility of the facility.

Testimony shall be taken at the meetings from citizens who live in the affected communities. Resolutions concerning the facility from district councils 11, 12, 13, and 14 must be solicited by the city council. Construction of the facility may not be commenced unless and until the St. Paul City Council has adopted a resolution approving the construction after consideration of the findings of the port authority, resolutions from the district councils, and other public input. The appropriation does not cancel and is available until expended. Of this amount, \$500,000 is transferred to the Department of Natural Resources for the Ecological Services Division to prepare, authorize, and implement habitat restoration plans on public or private properties to fulfill ecological principles of restoration ecology, while providing roadside access to the byproduct of the management actions at no cost to the operator of a biomass-fueled cogeneration facility located in St. Paul. The division may provide grants or otherwise transfer some or all of these funds to other public or private entities to accomplish these purposes. If a higher value nonbiomass market is available for some of the byproduct of this management, the division is authorized to sell the material to that market, provided that all of the proceeds are spent for the further purposes of this appropriation. The nonbiomass market sales of material from this management cannot exceed 20 percent by weight of the total byproducts produced by all approved activities under this appropriation. The restoration activities shall take place on land located within 75 miles by road of the city of St. Paul. The division shall consult with the operator of the biomass facility and other appropriate parties regarding planned projects to be funded with this appropriation. The division shall report annually to the legislative policy and finance committees for natural resources and energy regarding the expenditures and results of the program. This appropriation does not cancel but is available

until spent.

\$150,000 the first year is appropriated to the commissioner of commerce for grants for demonstration projects of electric vehicles with advanced transmission technologies incorporating, if feasible, batteries, converters, and other components developed in Minnesota. Funds may be expended under the grants only if grantees enter into agreements specifying that commercial production of these vehicles and components will, to the extent possible, take place in Minnesota.

(a) \$1,000,000 each year is to the Center for Rural Policy and Development at Minnesota State University at Mankato to make a grant to a nonprofit organization with experience dealing with energy and community wind issues to design and implement a rural wind energy development assistance program. This is a onetime only appropriation. The program must be designed to maximize rural economic development and stabilize rural community institutions, including hospitals and schools, by increasing the income of local residents and increasing local tax revenues. The grant may be disbursed in two installments. The program must provide assistance to rural entities seeking to develop wind energy electric generation projects and to sell the energy from the projects. Among other strategies, the program may consider combining rural entities and others into groups with the size and market power necessary for planning and developing significant rural wind energy projects.

(b) The program must provide assistance by, among other things:

(1) providing legal, engineering, and financial services;

(2) identifying target communities with favorable wind resources, community interest, and local political support;

(3) providing assistance to reserve, obtain, and assure the maintenance over time of wind turbines;

(4) creating market opportunities for utilities to meet their renewable energy obligations through purchases of rural community wind;

(5) assisting in the negotiation of fair power purchase agreements;

(6) facilitating transmission interconnection and delivery of energy from rural and community wind projects; and

(7) lowering the market risk facing potential wind investors by supporting local wind development from start to finish.

The grantee must demonstrate an ability to sustain program functions with ongoing revenue from sources other than state funding and shall provide a 35 percent grant match in the first year. The grant must be awarded on a competitive basis. The center must use best practices regarding grant management functions, including selection and monitoring of the grantee, compliance review, and financial oversight. Grant management fees are limited to 2.5 percent of the grant.

(c) The commissioner of commerce shall monitor the activities of the rural wind energy development assistance program created under paragraphs (a) to (c). By November 1, 2008, the commissioner shall submit an evaluation of the program to the chairs of the house of representatives and senate committees with jurisdiction over energy policy and finance, including recommendations for legislative or administrative action to better achieve the program goals described in paragraph (a).

\$1,000,000 in fiscal year 2008 is for distribution to eligible households for home heating assistance during the 2007 calendar year. The commissioner must distribute funds to eligible households according to the formula developed for the distribution

of the federal Low-Income Home Energy Assistance Program for fiscal year 2008. This appropriation is available until spent.

\$3,250,000 the first year is for the renewable hydrogen initiative in Minnesota Statutes, section 216B.813, to fund the competitive grant program included in that section. The commissioner may use up to two percent of the competitive grant program appropriation for grant administration and to develop and implement the renewable hydrogen road map. This is a onetime appropriation and is available until expended.

\$50,000 the first year is a onetime appropriation for a comprehensive technical, economic, and environmental analysis of the benefits to be derived from greater use in this state of geothermal heat pump systems for heating and cooling air and heating water. The analysis must:

- (1) estimate the extent of geothermal heat pump systems currently installed in this state in residential, commercial, and institutional buildings;
- (2) estimate energy and economic savings of geothermal heat pump systems in comparison with fossil fuel-based heating and cooling systems, including electricity use, on a capital cost and life-cycle cost basis, for both newly constructed and retrofitted residential, commercial, and institutional buildings;
- (3) compare the emission of pollutants and greenhouse gases from geothermal heat pump systems and fossil fuel-based heating and cooling systems;
- (4) identify financial assistance available from state and federal sources and Minnesota utilities to defray the costs of installing geothermal heat pump systems;
- (5) identify Minnesota firms currently manufacturing or installing the physical components of geothermal heat pump systems and estimate the economic

development potential in this state if demand for such systems increases significantly;

(6) identify the barriers to more widespread adoption of geothermal heat pump systems in this state and suggest strategies to overcome those barriers; and

(7) make recommendations for legislative action.

Not later than March 15, 2008, the commissioner shall submit the results of the analysis in a report to the chairs of the senate and house of representatives committees with primary jurisdiction over energy policy.

\$45,000 the first year is a onetime appropriation for a grant to Linden Hills Power and Light for preliminary engineering design work and other technical and legal services required for a community digester and neighborhood district heating and cooling system demonstration project in the Linden Hills neighborhood of Minneapolis. Funds may be expended upon a determination by the commissioner of commerce that the project is technically and economically feasible. A portion of the appropriation may be used to expand the scope of the project feasibility study to include portions of adjacent communities including St. Louis Park and Edina.

Sec. 6. [CORR07-1D] Laws 2007, chapter 57, article 2, section 34, is amended to read:

Sec. 34. **DEFINITIONS.**

For purposes of sections ~~32 to 34~~ 34 to 36, the following definitions apply:

(1) "terrestrial carbon sequestration" means the long-term storage of carbon in soil and vegetation to prevent its collection in the atmosphere as carbon dioxide; and

(2) "geologic carbon sequestration" means injecting carbon dioxide into underground geologic formations where it can be stored for long periods of time to prevent its escape to the atmosphere.

Sec. 7. [CORR07-1E] Laws 2007, chapter 57, article 2, section 43, is amended to read:

Sec. 43. **EFFECTIVE DATE.**

Sections 13, ~~39, and 40~~ 41, and 42 are effective September 1, 2008.

Sec. 8. [CORR07-2] Minnesota Statutes, section 16B.326, as added by Laws 2007, chapter 77, section 1, if enacted, is amended to read:

**Section 1. [16B.326] HEATING AND COOLING SYSTEMS; STATE-FUNDED BUILDINGS.**

The commissioner must review ~~and study~~ project proposers study for geothermal and solar thermal applications as possible uses for heating or cooling for all building projects subject to a predesign review under section 16B.335 that receive any state funding for replacement of heating or cooling systems. When practicable, geothermal and solar thermal heating and cooling systems must be considered when designing, planning, or letting bids for necessary replacement or initial installation of cooling or heating systems in new or existing buildings that are constructed or maintained with state funds. The predesign review must include a written plan for compliance with this section from a project proposer.

For the purposes of this section, "solar thermal" means a flat plate or evacuated tube with a fixed orientation that collects the sun's radiant energy and transfers it to a storage medium for distribution as energy for heating and cooling.

Sec. 9. [CORR07-3] Minnesota Statutes, section 151.56, as added by S.F. No. 1959, section 4, if enacted, is amended to read:

**Sec. 4. [151.56] COUNTY RETURN OF UNUSED DRUGS OR MEDICAL DEVICES.**

Notwithstanding Minnesota Rules, part 6800.2700, pharmacies may accept returns of ~~unused drugs and~~ redispense unopened, unused drugs in board-approved unit dose packaging and medical devices from county jails and juvenile correctional facilities. In order to return unused drugs and medical devices, the county jail or juvenile correctional facility must have a ~~trained medication technician~~ correctional employee trained in the delivery and storage of medications on hand twenty-four hours a day, seven days a week and the medication must be stored in a secured locked storage locker.

Sec. 10. [CORR07-4] Laws 2007, chapter 45, article 1, section 3, subdivision 3, is amended to read:

Subd. 3. <b>Agricultural Marketing and Development</b>	8,547,000	5,157,000
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\$186,000 the first year and \$186,000 the second year are for transfer to the Minnesota grown account and may be used as grants for Minnesota grown promotion under Minnesota Statutes, section 17.102. Grants may be made for one year. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2009, for Minnesota grown grants in this paragraph are available until June 30, 2011. \$50,000 of the appropriation in each year is for efforts that identify and promote Minnesota grown products

in retail food establishments including but not limited to restaurants, grocery stores, and convenience stores. The balance in the Minnesota grown matching account in the agricultural fund is canceled to the Minnesota grown account in the agricultural fund and the Minnesota grown matching account is abolished.

\$160,000 the first year and \$160,000 the second year are for grants to farmers for demonstration projects involving sustainable agriculture as authorized in Minnesota Statutes, section 17.116. Of the amount for grants, up to \$20,000 may be used for dissemination of information about the demonstration projects. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2009, for sustainable agriculture grants in this paragraph are available until June 30, 2011.

\$100,000 the first year and \$100,000 the second year are to provide training and technical assistance to county and town officials relating to livestock siting issues and local zoning and land use planning, including a checklist template that would clarify the federal, state, and local government requirements for consideration of an animal agriculture modernization or expansion project. In developing the training and technical assistance program, the commissioner shall seek guidance, advice, and support of livestock producer organizations, general agricultural organizations, local government associations, academic institutions, other government agencies, and others with expertise in land use and agriculture.

\$103,000 the first year and \$106,000 the second year are for additional integrated pest management activities.

\$2,500,000 the first year is for the agricultural best management practices loan program. At

least \$2,000,000 is available for pass-through to local governments and lenders for low-interest loans. This appropriation is available until spent.

\$1,000,000 the first year is for the agricultural best management practices loan program for capital equipment loans for persons using native, perennial cropping systems for energy or seed production. This appropriation is available until spent.

\$100,000 the first year and \$100,000 the second year are for annual cost-share payments to resident farmers or persons who sell, process, or package agricultural products in this state for the costs of organic certification. Annual cost-share payments per farmer must be two-thirds of the cost of the certification or \$350, whichever is less. In any year that a resident farmer or person who sells, processes, or packages agricultural products in this state receives a federal organic certification cost-share payment, that resident farmer or person is not eligible for state cost-share payments. A certified farmer is eligible to receive annual certification cost-share payments for up to five years. \$15,000 each year is for organic market and program development. The commissioner may allocate any excess appropriation in either fiscal year for organic producer education efforts, assistance for persons transitioning from conventional to organic agriculture, or sustainable agriculture demonstration grants authorized under Minnesota Statutes, section 17.116, and pertaining to organic research or demonstration. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

Sec. 11. [CORR07-4A] Laws 2007, chapter 45, article 1, section 29, is amended to read:

**Sec. 29. [18C.70] MINNESOTA AGRICULTURAL FERTILIZER RESEARCH AND EDUCATION COUNCIL.**

**Subdivision 1. Establishment; membership.** (a) The Minnesota Agricultural Fertilizer Research and Education Council is established. The council is composed of 12 voting members

as follows:

- (1) two members of the Minnesota Crop Production Retailers;
- (2) one member of the Minnesota Corn Growers Association;
- (3) one member of the Minnesota Soybean Growers Association;
- (4) one member of the sugar beet growers industry;
- (5) one member of the Minnesota Association of Wheat Growers;
- (6) one member of the potato growers industry;
- (7) one member of the Minnesota Farm Bureau;
- (8) one member of the Minnesota Farmers Union;
- (9) one member from the Minnesota Irrigators Association;
- (10) one member of the Minnesota Grain and Feed Association; and
- (11) one member of the Minnesota Independent Crop Consultant Association or the Minnesota certified crop advisor program.

(b) Council members shall serve three-year terms. After the initial council is appointed, subsequent appointments must be staggered so that one-third of council membership is replaced each year. Council members must be nominated by their organizations and appointed by the commissioner. The council may add ex-officio members at its discretion. The council must meet at least once per year, with all related expenses reimbursed by members' sponsoring organizations or by the members themselves.

Subd. 2. **Powers and duties.** The council must review applications and select projects to receive agricultural fertilizer research and education program grants, as authorized in section 18C.71. The council must establish a program to provide grants to research, education, and technology transfer projects related to agricultural fertilizer, soil amendments, and plant amendments. For the purpose of this section, "fertilizer" includes soil amendments and plant amendments, but does not include vegetable or animal manures that are not manipulated. The commissioner is responsible for all fiscal and administrative duties in the first year and may use up to eight percent of program revenue to offset costs incurred. No later than ~~October 1, 2007~~ February 15, 2008, the commissioner must provide the council with an estimate of the annual costs the commissioner would incur in administering the program.

Subd. 3. **Checkoff fees.** The council may recommend to the governor and legislature a checkoff fee to provide funding for grants under section 18C.71.

Subd. 4. **Rules.** The commissioner's duties under this section and section 18C.71 are not subject to the provisions of chapter 14.

Subd. 5. **Expiration.** This section expires January 8, 2017.

Sec. 12. [CORR07-5] **LONG-TERM HOMELESSNESS APPROPRIATION.**

\$2,000,000 the first year is appropriated from the general fund to the commissioner of human

services for implementation of programs to address long-term homelessness. This appropriation is available until June 30, 2009. This is a onetime appropriation. This appropriation supersedes and replaces any appropriation for the same purpose in H. F. No. 1078, if enacted.

Sec. 13. [CORR07-5A] **HEALTH INSURANCE EXCHANGE STUDY.**

\$500,000 is appropriated from the general fund the first year to the commissioner of human services to be transferred to the commissioner of health to report to the legislature by February 1, 2008, with recommendations on establishing a health insurance exchange as described in H. F. No. 1078, if enacted. This appropriation supersedes and replaces any appropriation for the same purpose to H. F. No. 1078, if enacted."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

**Senator Pogemiller from the Committee on Rules and Administration, to which was re-referred**

**H.F. No. 1048:** A bill for an act relating to state government; abolishing the Department of Employee Relations; transferring duties; providing certain protections for employees.

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

Delete everything after the enacting clause and insert:

"Section 1. **CAPITAL IMPROVEMENT APPROPRIATIONS.**

The sums shown in the column under "appropriations" are appropriated from the bond proceeds fund, or another named fund, to the state agencies or officials indicated, to be spent for public purposes. Appropriations of bond proceeds must be spent as authorized by the Minnesota Constitution, article XI, section 5, paragraph (a), to acquire and better public land and buildings and other public improvements of the capital nature, or as authorized by article XI, section 5, paragraphs (b) to (j), or article XIV. Unless otherwise specified, the appropriations in this article are available until the project is completed or abandoned subject to Minnesota Statutes, section 16A.642.

**SUMMARY**

<u>University of Minnesota</u>	\$	35,400,000
<u>Minnesota State Colleges and Universities</u>		34,520,000
<u>Education</u>		30,240,000
<u>Natural Resources</u>		4,684,000
<u>Pollution Control Agency</u>		2,500,000
<u>Board of Water and Soil Resources</u>		8,165,000
<u>Zoological Garden</u>		1,526,000

<u>Administration</u>	19,740,000
<u>Public Safety</u>	5,050,000
<u>Transportation</u>	53,673,000
<u>Metropolitan Council</u>	50,650,000
<u>Human Services</u>	150,000
<u>Corrections</u>	6,117,000
<u>Employment and Economic Development</u>	81,650,000
<u>Bond Sale Expenses</u>	167,000
<b><u>Cancellations</u></b>	<b><u>(5,282,000)</u></b>
<u>Lewis and Clark</u>	<u>5,282,000</u>
<b><u>TOTAL</u></b>	<b><u>\$ 334,232,000</u></b>
<u>Bond Proceeds Fund (General Fund Debt Service)</u>	<u>110,288,000</u>
<u>Bond Proceeds Fund (User Financed Debt Service)</u>	<u>1,267,000</u>
<u>State Transportation Fund</u>	<u>30,000,000</u>
<u>Trunk Highway Fund Bond Proceeds Account</u>	<u>33,420,000</u>
<u>General Fund</u>	<u>164,539,000</u>
<u>Bond Proceeds Cancellations</u>	<u>(5,282,000)</u>

**APPROPRIATIONS****Sec. 2. UNIVERSITY OF MINNESOTA**

**Subdivision 1. Total Appropriation** **\$ 35,400,000**

To the Board of Regents of the University of Minnesota for the purposes specified in this section.

**Subd. 2. Higher Education Asset Preservation and Replacement (HEAPR)** 21,000,000

To be spent in accordance with Minnesota Statutes, section 135A.046.

**Subd. 3. 717 Delaware** 14,400,000

To renovate the building at 717 Delaware for use as a biomedical science research

facility. This appropriation is intended to cover approximately 80 percent of the cost of the project. The remaining costs must be paid from university sources.

**Sec. 3. MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**Subdivision 1. Total Appropriation** **\$ 34,520,000**

To the Board of Trustees of the Minnesota State Colleges and Universities for the purposes specified in this section.

**Subd. 2. Higher Education Asset Preservation And Replacement** **30,720,000**

This appropriation is for the purposes specified in Minnesota Statutes, section 135A.046. Of this, \$720,000 is for HVAC replacement and asbestos removal at the Brooklyn Park campus of Hennepin Technical College.

**Subd. 3. Bemidji State University** **2,000,000**

To acquire property adjacent to Bemidji State University.

**Subd. 4. Fond du Lac Tribal and Community College** **1,800,000**

To acquire property adjacent to the Fond du Lac Tribal and Community College.

**Subd. 5. Debt Service**

(a) The board shall pay the debt service on one-third of the principal amount of state bonds sold to finance projects authorized by this section, except for higher education asset preservation and replacement, except that, where a nonstate match is required, the debt service is due on a principal amount equal to one-third of the total project cost, less the match committed before the bonds are sold. After each sale of general obligation bonds,

the commissioner of finance shall notify the board of the amounts assessed for each year for the life of the bonds.

(b) The commissioner shall reduce the board's assessment each year by one-third of the net income from investment of general obligation bond proceeds in proportion to the amount of principal and interest otherwise required to be paid by the board. The board shall pay its resulting net assessment to the commissioner of finance by December 1 each year. If the board fails to make a payment when due, the commissioner of finance shall reduce allotments for appropriations from the general fund otherwise available to the board and apply the amount of the reduction to cover the missed debt service payment. The commissioner of finance shall credit the payments received from the board to the bond debt service account in the state bond fund each December 1 before money is transferred from the general fund under Minnesota Statutes, section 16A.641, subdivision 10.

**Subd. 6. Unspent Appropriations**

(a) Upon substantial completion of a project authorized in this section and after written notice to the commissioner of finance, the Board of Trustees must use any money remaining in the appropriation for that project for HEAPR under Minnesota Statutes, section 135A.046. The Board of Trustees must report by February 1 of each even-numbered year to the chairs of the house and senate committees with jurisdiction over capital investments and higher education finance, and to the chairs of the house Ways and Means Committee and the senate Finance Committee, on how the remaining money has been allocated or spent.

(b) The unspent portion of an appropriation for a project in this section that is complete, is available for higher education asset preservation and replacement under this subdivision, at the same campus as the project for which the original appropriation

was made and the debt service requirement under subdivision 5 is reduced accordingly. Minnesota Statutes, section 16A.642, applies from the date of the original appropriation to the unspent amount transferred.

**Sec. 4. MINNESOTA DEPARTMENT OF EDUCATION**

**Subdivision 1. Total Appropriation**

**\$ 30,240,000**

To the commissioner of education for the purposes specified in this section. The appropriations in this section are from the general fund.

**Subd. 2. Independent School District No. 11, Anoka-Hennepin**

240,000

For a grant to Independent School District No. 11, Anoka-Hennepin, to acquire land adjacent to Riverview Elementary School and for improvements of a capital nature to develop and restore wetland and native prairie habitat on the land.

**Subd. 3. Independent School District No. 38, Red Lake**

30,000,000

For a grant to Independent School District No. 38, Red Lake, to design, construct, furnish, and equip renovation of existing facilities and construction of new facilities. The project includes renovation of, and an addition to, the high school and middle school to provide classrooms and related facilities for technology education, vocational education, physical education, and community education, and to provide for food services and administrative offices. The heating plant and piping for the high school and middle school will be upgraded and the motor vehicle fuel and propane tanks may be relocated. The project may include renovation of the Red Lake Elementary School to add classrooms and to link it to the Early Childhood Learning Center. The project may include renovation of the Ponemah

Elementary School to add a media center and Head Start center, add parking, improve the bus drop-off, and expand playground facilities. The commissioner and Independent School District No. 38, Red Lake, shall report to the legislature by January 10, 2008, on the progress of the project funded by the grant. The unexpended balance of the appropriation in Laws 2005, chapter 20, article 1, section 5, subdivision 2, as amended by Laws 2006, chapter 258, section 42, to design, construct, renovate, furnish, equip, and make health and safety capital improvements to school facilities may be added to this appropriation.

**Sec. 5. NATURAL RESOURCES**

**Subdivision 1. Total Appropriation**

**\$ 4,684,000**

To the commissioner of natural resources for the purposes specified in this section.

The appropriations in this section are from the general fund.

The appropriations in this section are subject to the requirements of the natural resources capital improvement program set forth in Minnesota Statutes, section 86A.12, unless this section or the statutes referred to in this section provide more specific standards, criteria, or priorities for projects than Minnesota Statutes, section 86A.12.

**Subd. 2. Stillwater Flood Control Phase III**

200,000

For a grant under Minnesota Statutes, section 103F.161, to the city of Stillwater to predesign, design, and begin construction of Phase III of the Stillwater flood control project, including flood control structures and pumping stations. This appropriation is not available until the commissioner has determined that at least \$2,000,000 has been committed from nonstate sources.

**Subd. 3. Canisteo Mine**

1,300,000

For a grant to the Western Mesabi Mine

Planning Board to construct siphons, a conveyance system, and other improvements to accommodate water level and outflow control of the water level in the Canisteo mine pit in Itasca County. This appropriation does not require a local match. The commissioner of natural resources shall be responsible to maintain the improvements after completion of the project.

**Subd. 4. Lake Zumbro Restoration**

350,000

For an agreement with Olmsted and Wabasha Counties to design and engineer the restoration of Lake Zumbro. This is a onetime appropriation and is available until June 30, 2009.

**Subd. 5. Red River Digital Elevation Model**

600,000

To develop and implement a high-resolution digital elevation model for the Red River basin.

**Subd. 6. Greenleaf Lake State Recreation Area**

500,000

To acquire from willing sellers land within the boundaries of Greenleaf Lake State Recreation Area, established under Minnesota Statutes, section 85.013, subdivision 11b.

**Subd. 7. Fort Snelling Upper Bluff**

500,000

For a grant to Hennepin County to conduct emergency building stabilization at Fort Snelling Upper Bluff. This appropriation is not available until the commissioner of finance has determined that Hennepin County has entered into appropriate agreements to use sentence-to-serve labor for the project that will train sentence-to-serve laborers in the skills needed for the work.

**Subd. 8. State Trail Acquisition and Development**

1,234,000

To acquire land for and to construct and renovate state trails under Minnesota Statutes, section 85.015.

\$125,000 is for the Cuyuna Lakes Trail, to develop a natural surface multiuse trail in the Cuyuna Country State Recreation Area.

\$650,000 is for the Gateway Trail, to replace an at-grade crossing of the Gateway Trail at Highway 120 with a tunnel.

\$209,000 is for the Luce Line Trail, to acquire land for, develop, and rehabilitate the trail.

\$250,000 is for acquisition of the Browns Creek segment of the Willard Munger Trail System, currently the right-of-way for the Minnesota Zephyr.

**Sec. 6. POLLUTION CONTROL AGENCY**

**\$ 2,500,000**

**Closed landfill program**

This appropriation is from the general fund for a grant to the city of Albert Lea to construct remedial systems at the Albert Lea landfill. This includes relocating and incorporating waste from the former Albert Lea dump owned by the city of Albert Lea under Minnesota Statutes, section 115B.403, which action may be taken by the Pollution Control Agency notwithstanding the provisions of Minnesota Statutes, section 115B.403, paragraphs (a) and (b).

The appropriation in this section is added to the amounts for the city of Albert Lea landfill funding in Laws 2006, chapter 258, section 8, subdivision 2.

**Sec. 7. BOARD OF WATER AND SOIL RESOURCES**

**Subdivision 1. Total Appropriation**

**\$ 8,165,000**

To the Board of Water and Soil Resources for the purposes specified in this section. The appropriations in this section are from the general fund.

**Subd. 2. RIM Conservation Reserve**

**8,000,000**

To acquire conservation easements from landowners on marginal lands and to construct conservation measures on acquired land in order to protect soil and water quality and to support fish and wildlife habitat as provided in Minnesota Statutes, sections 103F.501 to 103F.535. Of this, \$1,200,000 is to implement the program. The board must submit to the legislative committees with jurisdiction over environment finance and capital investment an interim report on this program by October 1, 2007, and a final report by February 1, 2008.

**Subd. 3. Lake Titlow Watershed Improvements**

165,000

\$150,000 is for a grant to the city of Gaylord to predesign and design holding ponds upstream from Lake Titlow. The design must include the best location for the ponds, an estimate of the cost of land acquisition or easements, construction costs of the holding ponds, and the estimated expense of maintaining the structures and who will be responsible for the expense. The city must also coordinate with state and county conservation officials to ensure correct conservation practices and improvements in the watershed district.

\$15,000 is for a grant to the city of Gaylord to purchase open intake tile covers or cones that limit soil erosion and chemicals from entering the water ditch systems and waterways of the Lake Titlow watershed. These water control devices must be provided at low cost to landowners to promote conservation improvement and clean up groundwater. Volunteers from the city of Gaylord and local clubs and high school students must be used to install the water control devices at no cost to the landowner.

The criteria, limitations, and assessment requirements in Minnesota Statutes, sections 103D.701, 103D.705, and 103D.901 do not apply to this subdivision.

Sec. 8. MINNESOTA ZOOLOGICAL GARDEN\$ 1,526,000Inflow and infiltration emergency abatement

This appropriation is from the general fund to the Minnesota Zoological Garden to design and construct improvements to its water management system. The project must be designed to address inflow and infiltration problems associated with the Minnesota Zoo's water discharge flow to the city of Eagan.

Sec. 9. ADMINISTRATIONSubdivision 1. Total Appropriation\$ 19,740,000

To the commissioner of administration for the purposes specified in this section.

Subd. 2. Capitol Renovation4,500,000

(a) This appropriation is from the general fund for architectural and engineering services related to the exploration and development of an acceptable plan and the schematic design of that plan to restore and renovate the Capitol building. Services leading up to and including schematic design will include the planning, review, and further development of an approved concept plan for the restoration and renovation of the Capitol. Drawings, cost estimates, and other documents produced during this phase will address planning options and campus concerns, as well as considerations for swing space, phasing strategies, and cost implications. Based on the approval concept plan, a site survey and geotechnical testing will be performed. From this data, a capital budget request will be prepared for the 2008 session of the legislature.

(b) The appropriation in this subdivision may not be spent on any project that affects space under the control of the senate without the approval of the chair of the Committee on Rules and Administration of the senate

nor on any project that affects space under the control of the house of representatives without the approval of the speaker of the house.

**Subd. 3. Exterior Repair of Transportation Building**

12,715,000

This appropriation is from the bond proceeds account in the trunk highway fund to repair and renovate the exterior of the Department of Transportation Building at 395 John Ireland Boulevard in St. Paul.

**EFFECTIVE DATE.** The appropriation in subdivision 3 is void if H.F. 946 is enacted in the 2007 legislative session.

**Subd. 4. Property Acquisition**

2,325,000

This appropriation is from the general fund to acquire property at 639 Jackson Street in St. Paul adjacent to the Harold E. Stassen Building, to demolish existing structures on the property, and to develop temporary parking on the site and adjacent areas.

**Subd. 5. Veterans Memorial, Eden Prairie**

200,000

This appropriation is from the general fund for a grant to the city of Eden Prairie to design and construct improvements of a capital nature for a veterans memorial in Purgatory Creek Recreation Area in the city of Eden Prairie.

**Sec. 10. PUBLIC SAFETY**

**Subdivision 1. Total Appropriation**

**\$ 5,050,000**

To the commissioner of public safety for the purposes specified in this section.

The appropriations in this section are from the general fund.

**Subd. 2. Anoka County Forensic Crime Laboratory**

2,000,000

Notwithstanding any law to the contrary, this appropriation is for a grant to Anoka County

to design, construct, furnish, and equip a regional forensic crime laboratory, for the use of Anoka, Sherburne, and Wright Counties, to be located in Anoka County.

This appropriation is not available until the commissioner has determined that at least \$7,500,000 has been committed or will be committed from nonstate sources to the forensic crime laboratory and/or a public safety facility that will contain the forensic crime laboratory.

**Subd. 3. Gonvick Public Safety Training Center**

50,000

Notwithstanding any law to the contrary, for a grant to the city of Gonvick to predesign a regional emergency training administration center in Gonvick.

This appropriation is not available until the commissioner has determined that at least an equal amount has been committed from nonstate sources.

**Subd. 4. Scott County Public Safety Training Center**

1,500,000

Notwithstanding any law to the contrary, for a grant to Scott County to design, construct, furnish, and equip a regional public safety training center in Scott County.

This appropriation is not available until the commissioner has determined that at least an equal amount has been committed from nonstate sources.

**Subd. 5. Southeastern Minnesota Regional Public Safety Training Center**

1,500,000

Notwithstanding any law to the contrary, to design, construct, furnish, and equip the Southeastern Minnesota Regional Public Safety Training Center in Rochester. The facility must include a live burn training simulator, a driving range, and a weapons training facility.

This appropriation is not available until the commissioner has determined that at least an equal amount has been committed from nonstate sources.

Sec. 11. **TRANSPORTATION**

Subdivision 1. **Total Appropriation**

\$ 53,673,000

To the commissioner of transportation for the purposes specified in this section.

Subd. 2. **Local Bridge Replacement and Rehabilitation**

30,000,000

This appropriation is from the bond proceeds account in the state transportation fund as provided in Minnesota Statutes, section 174.50, to match federal money and to replace or rehabilitate local deficient bridges.

Political subdivisions may use grants made under this section to construct or reconstruct bridges, including:

(1) matching federal aid grants to construct or reconstruct key bridges;

(2) paying the costs of preliminary engineering and environmental studies authorized under Minnesota Statutes, section 174.50, subdivision 6a;

(3) paying the costs to abandon an existing bridge that is deficient and in need of replacement, but where no replacement will be made; and

(4) paying the costs to construct a road or street to facilitate the abandonment of an existing bridge determined by the commissioner to be deficient, if the commissioner determines that construction of the road or street is more cost efficient than the replacement of the existing bridge.

Subd. 3. **Port Development Assistance**

500,000

This appropriation is from the general fund for grants under Minnesota Statutes, chapter

457A. Any improvements made with the proceeds of these grants must be publicly owned.

**Subd. 4. Mankato District Headquarters**

20,673,000

This appropriation is from the bond proceeds account in the trunk highway fund to design, construct, furnish, and equip a new Department of Transportation district headquarters facility in Mankato.

**EFFECTIVE DATE.** The appropriation in subdivision 4 is void if H.F. 946 is enacted in the 2007 legislative session.

**Subd. 5. High-Speed Rail Line**

2,000,000

This appropriation is from the general fund for the state's share of a high-speed rail line connecting Chicago, LaCrescent, Winona, Red Wing, and the Union Depot Concourse Multimodal Transit Hub, located in downtown St. Paul in the area south of Kellogg Boulevard and east of Jackson Street. No part of this appropriation may be spent to acquire or better capital improvements that are located outside the state of Minnesota, that may be used from time to time outside the state of Minnesota, or that are part of a rail corridor that is not designated by the Midwest Interstate Passenger Rail Compact.

**Subd. 6. Commuter Rail Extension**

250,000

This appropriation is from the general fund for a grant to the Northstar Corridor Development Authority to fund advanced preliminary engineering, updated environmental documentation, property appraisals, and negotiations with the railroad to extend commuter rail service on the Burlington Northern Santa Fe rail line between Big Lake and Rice.

**Subd. 7. North Shore Express Intercity Rail Initiative**

250,000

This appropriation is from the general

fund for a grant to St. Louis and Lake County Regional Rail Authority for railroad acquisition and track restoration, environmental impact studies, advanced corridor planning, preliminary design and preliminary engineering, station design, analysis of railroad capacity, and easement costs for intercity and passenger rail service between the city of Duluth and the cities of Minneapolis and St. Paul.

Sec. 12. METROPOLITAN COUNCIL

Subdivision 1. Total Appropriation

\$ 50,650,000

To the Metropolitan Council for the purposes specified in this section. The appropriations in this section are from the general fund, unless another fund is named.

Subd. 2. Central Corridor Transit Way

40,000,000

This appropriation is from the bond proceeds fund for preliminary engineering, preliminary design, final design, and construction of the central corridor transit way between downtown Minneapolis and downtown St. Paul, terminating in downtown St. Paul at the Union Depot.

This appropriation may not be spent for capital improvements within a trunk highway right-of-way.

District heating and district cooling nonprofit corporations organized under Minnesota Statutes, chapter 317A, that are exempt organizations under section 501(c)(3) of the United States Internal Revenue Code that are public right-of-way users under Minnesota Rules, chapter 7819, are eligible to receive grants and federal money for costs of relocating facilities from public rights-of-way to prevent interference with public light rail projects unless receipt of the money would impact the project's Federal Transit Authority required cost effectiveness index.

**Subd. 3. South St. Paul - Span Arch Bridge**600,000

For a grant to the city of South St. Paul to design and construct a span arch bridge under 19th Avenue in South St. Paul for connection with the Dakota County North Urban Regional Trail.

**Subd. 4. Union Depot**2,500,000

\$1,000,000 of this appropriation is from the general fund.

\$1,500,000 of this appropriation is from the bond proceeds fund.

For a grant to the Ramsey County Regional Railroad Authority to acquire land and structures, to renovate structures, and for design, engineering, and environmental work to revitalize Union Depot for use as a multimodal transit center in St. Paul.

**Subd. 5. Rush Line Corridor Transit Way**500,000

For a grant to the Ramsey County Regional Railroad Authority to acquire land for, design, and construct park-and-ride or park-and-pool lots located along the Rush Line Corridor along I-35E/I-35W and Highway 61 from the Union Depot in downtown St. Paul to Hinckley.

**Subd. 6. Red Rock Corridor Transit Way**500,000

To design, construct, and furnish park-and-ride lots for the Red Rock Corridor transit way between Hastings and Minneapolis via St. Paul, and any extension between Hastings and Red Wing.

**Subd. 7. Southwest Corridor Transit Way**500,000

For a grant to the Hennepin County Regional Rail Authority to prepare a draft environmental impact statement (DEIS) and for preliminary engineering for the Southwest Corridor Transit Way, from the Hiawatha light rail in downtown Minneapolis to the

vicinity of the Southwest Station transit hub in Eden Prairie.

**Subd. 8. Transit Master Plan**

250,000

(a) The Metropolitan Council, in consultation with the regional railroad authorities in the metropolitan area, must complete a revision of the regional master plan for transit. The plan must identify recommended transit investments in the metropolitan area through 2030. The revised plan must be completed for presentation to the legislature by February 20, 2008. The plan must include an analysis and comparison of transit way corridors and the potential for bus and busway, light rail transit, and commuter rail development within the corridors based on current and projected:

- (1) population and population density;
- (2) employment concentrations and job density;
- (3) transit dependent segments of the population;
- (4) ridership;
- (5) capital and operating costs;
- (6) land use;
- (7) right-of-way availability; and
- (8) adequacy of existing transportation options within the corridor.

The council and regional rail authorities must jointly select the corridors to be included in the analysis.

(b) The plan must include, but is not limited to, an analysis of the following corridors:

- (1) the I-94 corridor, beginning at the Union Depot Concourse Multimodal Transit Hub, located in downtown St. Paul in the area south of Kellogg Boulevard and east of Jackson Street, extending eastward through Washington County

to the Minnesota-Wisconsin border, and terminating in St. Croix County, Wisconsin;

(2) the I-494 corridor, on or near marked Interstate Highway 494, from Minneapolis-St. Paul International Airport to a transit station on the proposed Southwest Corridor transit way; and

(3) the I-35W/I-35 corridor, on or near marked Interstate Highway 35W/35 from downtown Minneapolis to County Road 50 in Lakeville.

**Subd. 9. Metropolitan Regional Parks Capital Improvements**

5,800,000

**Saint Paul - National Great River Park**

\$3,800,000 is for a grant to the city of St. Paul to design, construct, furnish, and equip river park development and redevelopment infrastructure in National Great River Park along the Mississippi River in St. Paul.

**Fridley - Springbrook Nature Center**

\$2,000,000 is from the general fund for a grant to the city of Fridley to predesign, design, construct, and equip the redevelopment and expansion of the Springbrook Nature Center. This appropriation is not available until the commissioner has determined that at least an equal amount has been committed from nonstate sources.

**Sec. 13. HUMAN SERVICES**

\$

150,000

**West central secured treatment facility**

This appropriation is from the general fund to the commissioner of human services for a grant to Pope County to predesign a multicounty regional secured treatment facility in west central Minnesota. The commissioner shall prepare a report to the legislature assessing the need for and the viability of the facility and the benefits

derived from a coordinated multicounty, regional approach to local chemical dependency needs in west central Minnesota. The report is due to the legislature by February 1, 2008.

Sec. 14. **CORRECTIONS**

Subdivision 1. **Total Appropriation**

**\$ 6,117,000**

To the commissioner of administration for the purposes specified in this section. The appropriations in this section are from the general fund.

Subd. 2. **Minnesota Correctional Facility - Oak Park Heights**

(a) **Perimeter system renovation**

**3,875,000**

To renovate the perimeter system at the Oak Park Heights Correctional Facility by replacing the security fence system for the inside wall of the main prison yard and exterior fence, replacing the perimeter lighting system and the security razor ribbon, and installing cameras and lighting to correspond to the perimeter system's added security zones.

(b) **Ventilation system renovation**

**2,242,000**

To renovate the ventilation system at the Oak Park Heights Correctional Facility by demolishing sections of existing ductwork, installing new ductwork, installing an ultraviolet lighting system, installing system air controls and electronics, and cleaning or otherwise renovating sections of existing ductwork.

Sec. 15. **EMPLOYMENT AND ECONOMIC DEVELOPMENT**

Subdivision 1. **Total Appropriation**

**\$ 81,650,000**

To the commissioner of employment and economic development or other named

agency for the purposes specified in this section.

**Subd. 2. Bayport Storm Sewer**

150,000

This appropriation is from the general fund to the Public Facilities Authority for a grant to the city of Bayport for the Middle St. Croix River Watershed Management Organization to complete construction documents and bidding for the sewer system extending from Minnesota Department of Natural Resources pond 82-310P (the prison pond) in Bayport through the Stillwater prison grounds to the St. Croix River.

This appropriation is in addition to the appropriations in Laws 2000, chapter 492, article 1, section 21, subdivision 8, to the commissioner of corrections and in Laws 2005, chapter 20, article 1, section 23, subdivision 3, to the Public Facilities Authority, for the same project.

**Subd. 3. DECC Arena**

37,000,000

This appropriation is from the general fund for a grant to the Duluth Entertainment and Convention Center Authority to design, construct, furnish, and equip capital improvements and renovations to the Duluth Entertainment and Convention Center. The capital improvements and renovations must include an approximately 217,446 square foot arena with an ice sheet of at least 200 feet by 85 feet; trade show and concert space; seating capacity of at least 6,630 with suites, club seats, and concessions; state-of-the-art locker and training facilities; and accessible and expanded media space. Notwithstanding any law to the contrary, the authority may adopt a design and construction procurement process as determined by the authority, in its discretion, to be in the public interest in connection with the Duluth Entertainment and Convention Center improvements.

**Subd. 4. Itasca County - Steel Plant Infrastructure**

30,000,000

This appropriation is from the general fund and is in addition to the appropriation in Laws 2006, chapter 258, section 21, subdivision 14.

For a grant to Itasca County for public infrastructure needed to support a steel plant in Itasca County. Grant money may be used by Itasca County to acquire right-of-way and mitigate loss of wetlands and runoff of storm water, to predesign, design, construct, and equip roads and rail lines, and, in cooperation with municipal public utilities, to predesign, design, construct, and equip natural gas pipelines, electric infrastructure, water supply systems, and wastewater collection and treatment systems.

**Subd. 5. Rochester - Mayo Civic Center Complex**

2,000,000

This appropriation is from the general fund for a grant to the city of Rochester to design the renovation and expansion of the Mayo Civic Center Complex.

**Subd. 6. Wildlife Rehabilitation Center**

500,000

This appropriation is from the general fund for a grant to the Wildlife Rehabilitation Center of Minnesota to retire loans incurred by the center for construction of its facility in the city of Roseville, and for completion of educational technology infrastructure at the center.

**Subd. 7. Rice Street Bridge**

2,000,000

This appropriation is from the general fund for a grant to Ramsey County for the preliminary planning, design, and engineering of the Rice Street bridge where it crosses marked Trunk Highway 36 in Ramsey County.

**Subd. 8. St. Cloud State University - National Hockey Center**

10,000,000

This appropriation is from the general fund to the Board of Trustees of the Minnesota State Colleges and Universities to predesign,

design, construct, furnish, and equip the renovation of the National Hockey Center.

Sec. 16. **BOND SALE EXPENSES**

\$                    **167,000**

Subdivision 1. **Bond Proceeds Fund**

To the commissioner of finance for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8.

Subd. 2. **Trunk Highway Fund**

Of this amount, \$32,000 is from the bond proceeds account in the trunk highway fund.

**EFFECTIVE DATE.** The appropriation in subdivision 2 is void if H.F. 946 is enacted in the 2007 legislative session.

Sec. 17. **BOND SALE SCHEDULE**

The commissioner of finance shall schedule the sale of state general obligation bonds so that, during the biennium ending June 30, 2009, no more than \$918,620,000 will need to be transferred from the general fund to the state bond fund to pay principal and interest due and to become due on outstanding state general obligation bonds. During the biennium, before each sale of state general obligation bonds, the commissioner of finance shall calculate the amount of debt service payments needed on bonds previously issued and shall estimate the amount of debt service payments that will be needed on the bonds scheduled to be sold. The commissioner shall adjust the amount of bonds scheduled to be sold so as to remain within the limit set by this section. The amount needed to make the debt service payments is appropriated from the general fund as provided in Minnesota Statutes, section 16A.641.

Sec. 18. **BOND SALE AUTHORIZATION.**

Subdivision 1. **Bond proceeds fund.** To provide the money appropriated in this act from the bond proceeds fund, the commissioner of finance shall sell and issue bonds of the state in an amount

up to \$111,555,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 2. **Transportation fund bond proceeds account.** To provide the money appropriated in this article from the state transportation fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$30,000,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the state transportation fund.

Subd. 3. **Trunk highway bonds.** To provide the money appropriated in this article from the bond proceeds account in the trunk highway fund, the commissioner of finance shall sell and issue trunk highway bonds in an amount up to \$33,420,000 in the manner, on the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to the bond proceeds account in the trunk highway fund.

**EFFECTIVE DATE.** Subdivision 3 is effective unless H.F. 946 is enacted in the 2007 legislative session.

#### Sec. 19. **BOND SALE AUTHORIZATION REDUCTIONS.**

The bond sale authorization in Laws 2005, chapter 20, article 1, section 28, subdivision 1, is reduced by \$2,000,000.

The bond sale authorization in Laws 2006, chapter 258, section 25, subdivision 1, is reduced by \$3,282,000.

Sec. 20. Minnesota Statutes 2006, section 16A.695, subdivision 2, is amended to read:

Subd. 2. **Leases and management contracts.** (a) A public officer or agency that is authorized by law to lease or enter into a management contract with respect to state bond financed property shall comply with this subdivision. A reference to a lease or management contract in this subdivision includes any amendments, modifications, or alterations to the referenced lease or management contract and refers to the lease wherein the public officer or agency is the lessor of the state bond financed property and the other contracting party is the lessee.

(b) The lease or management contract may be entered into for the express purpose of carrying out a governmental program established or authorized by law and established by official action of the contracting public officer or agency, in accordance with orders of the commissioner intended to ensure the legality and tax-exempt status of bonds issued to finance the property, and with the approval of the commissioner. A lease or management contract, ~~including any renewals that are solely at the option of the lessee,~~ must be for a term substantially less than the useful life of the property, but may allow renewal beyond that term upon a determination by the lessor that the lessee has demonstrated that the use continues to carry out the governmental program. If the lessor and lessee do not renew the lease or management contract and if the lessee has contributed to the land and the capital improvements on the state bond financed property, the lessor may agree to reimburse

the lessee for its investment in the land and capital improvements. The reimbursement may be paid, at the option of the lessor and lessee, at the time of nonrenewal without a requirement for a prior escrow of funds or at a later date and on additional terms agreed to by the lessor and the lessee. A lease or management contract must be terminable by the contracting public officer or agency if the other contracting party defaults under the contract or if the governmental program is terminated or changed, and must provide for program oversight by the contracting public officer or agency. The expiration or termination of a lease or management agreement does not require that the state bond proceeds be repaid or that the property be sold, so long as the property continues to be operated by, or on behalf of, the public officer or agency for the intended governmental program. Money received by the public officer or agency under the lease or management contract that is not needed to pay and not authorized to be used to pay operating costs of the property, or to pay the principal, interest, redemption premiums, and other expenses when due on debt related to the property other than state bonds, must be:

(1) paid to the commissioner in the same proportion as the state bond financing is to the total public debt financing for the property, excluding debt issued by a unit of government for which it has no financial liability;

(2) deposited in the state bond fund; and

(3) used to pay or redeem or defease bonds issued to finance the property in accordance with the commissioner's order authorizing their issuance.

The money paid to the commissioner is appropriated for this purpose.

(c) With the approval of the commissioner, a lease or management contract between a city and a nonprofit corporation under section 471.191, subdivision 1, need not require the lessee to pay rentals sufficient to pay the principal, interest, redemption premiums, and other expenses when due with respect to state bonds issued to acquire and better the facilities.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006, and applies to leases, grant agreements, or management agreements entered into on or after that date.

Sec. 21. Minnesota Statutes 2006, section 16A.695, subdivision 3, is amended to read:

Subd. 3. **Sale of property.** A public officer or agency shall not sell any state bond financed property unless the public officer or agency determines by official action that the property is no longer usable or needed by the public officer or agency to carry out the governmental program for which it was acquired or constructed, the sale is made as authorized by law, the sale is made for fair market value, and the sale is approved by the commissioner. If any state bonds issued to purchase or better the state bond financed property that is sold remain outstanding on the date of sale, the net proceeds of sale must be applied as follows:

(1) if the state bond financed property was acquired and bettered solely with state bond proceeds, the net proceeds of sale must be paid to the commissioner, ~~and deposited in the state bond fund, and used to pay or redeem or defease the outstanding state bonds in accordance with the commissioner's order authorizing their issuance, and the proceeds are appropriated for this purpose~~ treasury; or

(2) if the state bond financed property was acquired or bettered partly with state bond proceeds and partly with other money, the net proceeds of sale must be used: first, to pay to the state the amount of state bond proceeds used to acquire or better the property; second, to pay in full any outstanding

public or private debt incurred to acquire or better the property; ~~and~~ third, to pay interested public and private entities, other than any public officer or agency or any private lender already paid in full, the amount of money contributed to the acquisition or betterment of the property; and fourth, any excess over the amount needed for those purposes must be divided in proportion to the shares contributed to the acquisition or betterment of the property and paid to the interested public and private entities, other than any private lender already paid in full, and the proceeds are appropriated for this purpose. In calculating the share contributed by each entity, the amount to be attributed to the owner of the property shall be the fair market value of the property that was bettered by state bond proceeds at the time the betterment began.

When all of the net proceeds of sale have been applied as provided in this subdivision, this section no longer applies to the property.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006, and applies to leases, grant agreements, or management agreements entered into on or after that date.

Sec. 22. Minnesota Statutes 2006, section 16A.695, is amended by adding a subdivision to read:

Subd. 6. **Match requirements.** Recipients of grants from money appropriated from the bond proceeds fund may be required to demonstrate a commitment of money from nonstate sources. This matching money may be pledged payments that have been deposited into a segregated account or multiyear pledges that are converted into cash or cash equivalent through a loan or irrevocable letter of credit from a financial institution. The loan or irrevocable letter of credit may be secured by a lien on the state bond financed property.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006, and applies to leases, grant agreements, or management agreements entered into on or after that date.

Sec. 23. Minnesota Statutes 2006, section 16A.695, is amended by adding a subdivision to read:

Subd. 7. **Ground lease for state bond financed property.** A public officer or agency, as lessee, may lease real property and improvements that are to be acquired or improved with state bond proceeds. The lease must be for a term equal to or longer than 125 percent of the useful life of the property. The expiration of the lease upon the end of its term does not require that the state be repaid or that the property be sold and upon the expiration the real property and improvements are no longer state bond financed property.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006, and applies to leases, grant agreements, or management agreements entered into on or after that date.

Sec. 24. Minnesota Statutes 2006, section 16A.695, is amended by adding a subdivision to read:

Subd. 8. **General applicability.** (a) This section establishes requirements for the receipt and use of general obligation grants and the ownership and operation of state bond-financed property. General obligation grants may only be issued and used to finance the acquisition and betterment of public lands and buildings and other public improvements of a capital nature that are used to operate a governmental program, and for predesign and design activities for specifically identified projects that involve the operation of a governmental program or activity. A general obligation grant may not be used for general operating expenses, staffing, or general master planning. A public officer or agency that is the recipient of a general obligation grant must comply with this section in its use of the general obligation grant and operation, management, lease, and sale of state bond-financed

property. A public officer or agency that uses the proceeds of a general obligation grant for any unauthorized purpose or in violation of this section must immediately repay the outstanding balance of the grant to the commissioner, and a failure to comply authorizes the commissioner to recover the outstanding balance as a setoff against any state aid provided to the public officer or agency.

(b) This section does not create any new authority regarding the ownership, construction, rehabilitation, use, operation, lease management, or sale of state bond-financed property, or the operation of the governmental program that will be operated on the property. Any authority that is needed to enter into a management contract or lease of property, to sell property, or to operate a governmental program or carry out any activity contained in the law that appropriates money for a general obligation grant must be provided by as contained in some other law.

**EFFECTIVE DATE.** This section is effective on and after July 1, 2007.

Sec. 25. Minnesota Statutes 2006, section 16A.695, is amended by adding a subdivision to read:

Subd. 9. **Grant agreement.** All general obligation grants must be evidenced by a grant agreement that specifies:

(1) how the general obligation grant will be used;

(2) the governmental program that will be operated on the state bond-financed property; and

(3) that the state bond-financed property must be operated in compliance with this section, all state and federal laws, and in a manner that will not cause the interest on the state general obligation bonds to be or become subject to federal income taxation for any reason. A grant agreement must comply with this section, the Minnesota Constitution, and all commissioner's orders, and also contain other provisions the commissioner of the agency making the grant deems appropriate. The commissioner shall draft and make available forms for grant agreements that satisfy the requirements of this subdivision.

**EFFECTIVE DATE.** This section is effective on and after July 1, 2007.

Sec. 26. Laws 2005, chapter 20, article 1, section 7, subdivision 21, is amended to read:

**Subd. 21. State Park and Recreation Area Acquisition**

2,500,000

For acquisition of land under Minnesota Statutes, section 86A.05, subdivisions 2 and 3, from willing sellers of private lands within state park and recreation area boundaries established by law.

\$500,000 is to purchase land within the boundaries of Greenleaf Lake state park recreation area in Meeker county.

Sec. 27. Laws 2005, chapter 20, article 1, section 17, is amended to read:

**Sec. 17. PUBLIC SAFETY**

**642,000**

To the commissioner of public safety for a grant to the Economic Development Authority in and for the city of Blue Earth to acquire land for and to predesign, design, construct, furnish, and equip a fire and police station. This appropriation is not available until the commissioner of finance has determined that at least an equal amount has been committed to the project from nonstate sources.

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

Sec. 28. Laws 2005, chapter 20, article 1, section 20, subdivision 3, is amended to read:

**Subd. 3. Systemwide Redevelopment, Reuse, or Demolition**

17,600,000

To demolish or improve surplus, nonfunctional, or deteriorated facilities and infrastructure at Department of Human Services campuses statewide.

(a) Up to \$8,600,000 may be used to predesign, design, construct, furnish, and equip renovation of existing space or construction of new space for skilled nursing home capacity for forensic treatment programs operated by state-operated services on the campus of St. Peter Regional Treatment Center.

(b) \$4,000,000 may be used to prepare and develop a site, including demolition of buildings and infrastructure, to implement the redevelopment and reuse of the Ah-Gwah-Ching Regional Treatment Center campus. If the property is sold or transferred to a local unit of government, the unspent portion of this appropriation may be granted to the local unit of government that acquires the campus for the purposes stated in this subdivision. Notwithstanding Minnesota Statutes, section 16A.642, this appropriation and its corresponding bond authorization do not cancel until June 30, 2010.

(c) \$1,000,000 may be used to renovate one or more buildings for chemical dependency

treatment specializing in methamphetamine addiction, and demolish buildings, on the Willmar Regional Treatment Center campus. If the property is sold or transferred to a local unit of government, the unspent portion of this appropriation may be granted to the local unit of government that acquires the campus for the purposes stated in this subdivision.

(d) Up to \$2,210,000 may be spent by the commissioner of finance to retire municipal bonds issued by the city of Fergus Falls and to retire interfund loans incurred by the city of Fergus Falls in connection with the waste incinerator and steam heating facility at the Fergus Falls Regional Treatment Center.

(e) Up to \$400,000 may be used for a grant to the city of Fergus Falls to demolish the city's waste-to-energy incineration plant located on the grounds of the Fergus Falls Regional Treatment Center.

(f) The provisions, terms, and conditions of any grant made by the director of the Office of Environmental Assistance under Minnesota Statutes, chapter 115A, to the city of Fergus Falls for the waste incinerator steam heating facility that supports the Fergus Falls Regional Treatment Center and that may come into effect as a result of the incinerator and facility being closed, are hereby waived.

Sec. 29. Laws 2005, chapter 20, article 1, section 21, subdivision 2, is amended to read:

**Subd. 2. Asset Preservation**

4,000,000

For asset preservation improvements and betterments of a capital nature at veterans homes statewide to be spent in accordance with Minnesota Statutes, section 16A.632.

Up to \$2,200,000 of federal money received by the Minnesota Veterans Homes Board of Directors as reimbursement for state capital expenditures at the veterans homes must be credited to the general fund and is appropriated to the commissioner of administration for ~~asset preservation~~ repairs

~~and betterments at the homes in accordance with Minnesota Statutes, section 16A.632.~~

Sec. 30. Laws 2005, chapter 20, article 1, section 23, subdivision 8, is amended to read:

**Subd. 8. Lewis and Clark Rural Water System, Inc.** 2,000,000

~~This appropriation is from the general fund to the Public Facilities Authority for grants to the city of Luverne, city of Worthington Public Utilities, Lincoln Pipestone rural water system, and Rock County rural water system~~ Lewis and Clark Joint Powers Board to acquire land, predesign, design, construct, furnish, and equip ~~one or more~~ water transmission and storage facilities ~~to accommodate the connection with~~ of the Lewis and Clark Rural Water System, Inc. that will serve southwestern Minnesota.

~~The grants~~ Payment to the Lewis and Clark Rural Water System, Inc., must be awarded ~~to projects approved by the Lewis and Clark Joint Powers Board.~~

~~This appropriation is available only to the extent that each \$1 of state money is matched by at least \$1 of local money paid to the Lewis and Clark Rural Water System, Inc. for each \$1 of state money to be used to reimburse costs incurred on eligible projects.~~

This appropriation is the first phase of the state share for the Lewis and Clark Rural Water System, Inc. project as defined in the federal Lewis and Clark Rural Water System Act of 2000.

Sec. 31. Laws 2005, chapter 20, article 1, section 23, subdivision 16, is amended to read:

**Subd. 16. Minneapolis**

(a) Minnesota Planetarium 22,000,000

For a grant to ~~the city of Minneapolis~~ Hennepin County to complete design and to construct, furnish, and equip a new Minnesota planetarium and space discovery center in conjunction with the Minneapolis downtown

library.

(b) Heritage Park

Any unspent balance remaining on December 31, 2004, in the appropriation made by Laws 2000, chapter 492, article 1, section 22, subdivision 10, for a grant to the city of Minneapolis, may be used by the city for improvements to the Heritage Park project.

(c) Minnesota Shubert Center

1,000,000

For a grant to the city of Minneapolis to predesign and design and provide for related capital costs for an associated atrium to create the Minnesota Shubert Center.

**EFFECTIVE DATE.** This section is effective on the same date as H.F. 1973/S.F. 1812, if enacted in the 2007 legislative session.

Sec. 32. Laws 2005, chapter 156, article 2, section 46, is amended to read:

Sec. 46. **FORD BUILDING.**

The Ford Building at 117 University Avenue in St. Paul may not be demolished ~~during the biennium ending before~~ June 30, ~~2007~~ 2008. By January 15, 2006, the commissioner of administration, in consultation with interested legislators, private sector real estate professionals, historic preservation specialists, and representatives of the city of St. Paul, neighboring property, and St. Paul neighborhood associations, must report to the legislature with recommendations regarding potential means of preserving and using the Ford Building. The report must include:

- (1) availability of potential lessees for the building;
- (2) constraints on leasing the building, including the requirement to pay off any state general obligation bonds previously used in maintaining or rehabilitating the building; and
- (3) the cost of restoring and rehabilitating the building, and the feasibility of various means of paying these costs, including potential use of revenue bonds.

Sec. 33. Laws 2006, chapter 258, section 4, subdivision 4, is amended to read:

Subd. 4. **MacPhail Music Center**

5,000,000

(a) For a grant to the city of Minneapolis to predesign, design, construct, furnish, and equip a new facility for the MacPhail Center for Music. The city of Minneapolis may enter into a lease or management agreement to operate the center, subject to Minnesota

Statutes, section 16A.695. This appropriation is not available until the commissioner has determined that not less than \$15,000,000 has been committed to the MacPhail Center for Music from nonstate sources, and that the available money is sufficient to complete a functional facility. Money secured before the effective date of this section may count toward the required commitment of nonstate sources, provided it is used for qualified capital expenditures. Any land acquisition costs paid by MacPhail Center for Music qualify as capital expenditures.

(b) The city of Minneapolis may provide money to predesign, design, construct, furnish, and equip a center for music education, including classrooms and a recital hall in the city of Minneapolis, to provide a facility for education of students, music therapy programs for persons with disabilities, music teacher training opportunities, curriculum and program development, and to provide the programming in public and private schools and in partnership with other organizations throughout the state.

(c) The required demonstration of a commitment of funds from nonstate sources has been met by cash, prepaid qualified expenses, and private multiyear pledges that have been converted into cash through bond financing and a letter of credit secured by a mortgage lien on the state bond financed property. The \$5,000,000 construction grant shall be disbursed without requirement that the mortgage lien be released.

(d) The commissioners of education and finance shall agree to a provision in the ground lease that permits the city of Minneapolis to purchase for fair market value, as that term is defined in Minnesota Statutes, section 16A.695, subdivision 1, paragraph (d), the interest of the operating lease lessee in the state bond financed property (based on investment in land

and capital improvements) in the event of nonrenewal of the operating lease at the time of nonrenewal without requirement of a prior escrow for funds by the city of Minneapolis.

**EFFECTIVE DATE.** This section is effective retroactively from June 2, 2006.

Sec. 34. Laws 2006, chapter 258, section 7, subdivision 3, is amended to read:

**Subd. 3. Flood Hazard Mitigation Grants**

25,000,000

For the state share of flood hazard mitigation grants for publicly owned capital improvements to prevent or alleviate flood damage under Minnesota Statutes, section 103F.161.

The commissioner shall determine project priorities as appropriate, based on need.

This appropriation includes money for the following projects:

- (a) Austin
- (b) Albert Lea
- (c) Crookston
- (d) Canisteo Mine
- (e) Delano
- (f) East Grand Forks
- (g) Golden Valley
- (h) Grand Marais Creek
- (i) Granite Falls
- (j) Inver Grove Heights
- (k) Manston Slough
- (l) Oakport Township
- (m) Riverton Township
- (n) Roseau
- (o) Shell Rock Watershed District
- ~~(p)~~ (p) St. Vincent

~~(p)~~ (q) Wild Rice River Watershed District

For any project listed in this subdivision that the commissioner determines is not ready to proceed or does not expend all the money allocated to it, the commissioner may allocate that project's money to a project on the commissioner's priority list.

To the extent that the cost of a project in Ada, Breckenridge, Crookston, Dawson, East Grand Forks, Granite Falls, Montevideo, Oakport Township, Roseau, St. Vincent, or Warren exceeds two percent of the median household income in the municipality multiplied by the number of households in the municipality, this appropriation is also for the local share of the project. The local share for the St. Vincent dike may not exceed \$30,000.

Sec. 35. Laws 2006, chapter 258, section 7, subdivision 7, is amended to read:

Subd. 7. **Lake Superior safe harbors**

3,000,000

To design and construct capital improvements to public accesses and small craft harbors on Lake Superior in accordance with Minnesota Statutes, sections 86A.20 to 86A.24, and in cooperation with the United States Army Corps of Engineers.

This appropriation may be used to develop the harbor of refuge and marina at Two Harbors and is added to the appropriations in Laws 1998, chapter 404, section 7, subdivision 24; and Laws 2000, chapter 492, article 1, section 7, subdivision 21, as amended by Laws 2005, chapter 20, article 1, section 42. Notwithstanding those laws, the commissioner may proceed with the Two Harbors project by providing up to \$625,000 to complete the design specifications and environmental work currently underway and proceed with the remaining money for the project upon securing an agreement with the U.S. Army Corps of Engineers that commits federal expenditures of at least \$4,000,000 to the project.

Sec. 36. Laws 2006, chapter 258, section 7, subdivision 11, is amended to read:

Subd. 11. **Water control structures** 1,000,000

To rehabilitate or replace water control structures used to manage shallow lakes and wetlands for waterfowl habitat on wildlife management areas under Minnesota Statutes, section 86A.05, subdivision 8, or for the purposes of public water reserves under Minnesota Statutes, section 97A.101.

Sec. 37. Laws 2006, chapter 258, section 7, subdivision 22, is amended to read:

Subd. 22. **Regional trails** 1,133,000

For matching grants under Minnesota Statutes, section 85.019, subdivision 4b.

\$648,000 is for the Agassiz Recreational ATV Trail. Snowmobile trail grant money received under Minnesota Statutes, section 84.83, subdivision 3, and all-terrain vehicle trail grant money received under Minnesota Statutes, section 84.927, subdivision 2, may be counted as part of the county's required 50 percent nonstate match.

\$485,000 is for a grant to the Central Minnesota Regional Parks and Trails Coordination Board to design, engineer, and construct 6.3 miles of trail and two parking areas along the Mississippi River in Sherburne County, to be known as Xcel Energy Great River Woodland Trail.

Sec. 38. Laws 2006, chapter 258, section 16, subdivision 4, is amended to read:

Subd. 4. **Northstar Commuter Rail** 60,000,000

(a) To acquire land, or an interest in land, and to design, construct, furnish, and equip the Northstar commuter rail line serving Big Lake to downtown Minneapolis and to acquire land, or an interest in land, and to design, construct, furnish, and equip the extension of the Hiawatha light rail transit line from its terminus in downtown Minneapolis to a new terminus near Fifth Avenue North adjacent

to the proposed downtown Minneapolis commuter rail station.

(b) This appropriation is added to the appropriation in Laws 2005, chapter 20, article 1, section 18, subdivision 5.

(c) This appropriation is not available until a full-funding grant agreement has been executed with, or a letter of no prejudice for a specific component of the project or pre-award authority has been issued by, the Federal Transit Administration.

(d) If the Northstar commuter rail line is extended from Big Lake to the St. Cloud area, regional rail authority members of the Northstar Corridor Development Authority who did not fund a portion of the share of capital costs from Minneapolis to Big Lake shall contribute an amount for the extension equal to the amount they would have contributed for their proportional share of the entire line from Minneapolis to the St. Cloud area.

(e) The commissioner of transportation may encumber money in an account in the special revenue fund, up to the amount of federal funding obligated in a multiyear full-funding grant agreement with the Federal Transit Administration, for the Northstar Commuter Rail project.

Sec. 39. Laws 2006, chapter 258, section 21, subdivision 6, is amended to read:

**Subd. 6. Redevelopment Account**

9,000,000

For purposes of the redevelopment account under Minnesota Statutes, section 116J.571.

\$800,000 is for a grant to the city of Worthington to remediate contaminated soil and redevelop the site of the former Campbell Soup factory. This grant is exempt from the requirements of Minnesota Statutes, sections 116J.572 to 116J.575.

\$250,000 is for a grant to the city of Winona to predesign facilities for the

Shakespeare Festival as part of the riverfront redevelopment plan. This grant is exempt from the requirements of Minnesota Statutes, sections 116J.572 to 116J.575.

Sec. 40. Laws 2006, chapter 258, section 21, subdivision 15, is amended to read:

**Subd. 15. Lewis and Clark Rural Water System, Inc.**

3,282,000

This appropriation is from the general fund to the Public Facilities Authority for grants to the city of Luverne, city of Worthington Public Utilities, Lincoln Pipestone rural water system, and Rock County rural water system Lewis and Clark Joint Powers Board to acquire land, predesign, design, construct, furnish, and equip one or more water transmission and storage facilities to accommodate the connection with of the Lewis and Clark Rural Water System, Inc. that will serve southwestern Minnesota.

The grants Payment to the Lewis and Clark Rural Water System, Inc. must be awarded to projects approved by the Lewis and Clark Joint Powers Board.

This appropriation is available to the extent that each \$1 of state money is matched by at least \$1 of local money paid to the Lewis and Clark Rural Water System, Inc. to reimburse the system for costs incurred on eligible projects.

Sec. 41. Laws 2006, chapter 258, section 23, subdivision 3, is amended to read:

**Subd. 3. Historic Fort Snelling Museum and Visitor Center**

1,100,000

To design the restoration and renovation of the 1904 Cavalry Barracks Building for the historic Fort Snelling Museum and Visitor Center and other site improvements to revitalize historic Fort Snelling.

**Sec. 42. REPORT ON EAST PHILLIPS CULTURAL AND COMMUNITY CENTER.**

The Metropolitan Council shall report by January 1, 2008, to the legislative committees with jurisdiction over capital investment on the terms of the grant agreement and progress on design

and construction of the East Phillips Cultural and Community Center by the Minneapolis Park and Recreation Board with the appropriation in Laws 2006, chapter 258, section 17, subdivision 8.

**Sec. 43. PUBLIC FACILITIES AUTHORITY FUNDING.**

To the greatest practical extent, projects on the Public Facilities Authority's 2007 intended use plan, the listings for which were based on the Pollution Control Agency's 2006 project priority list, shall be carried over to the 2008 intended use plan. Projects that qualified for funding from the Public Facilities Authority under Laws 2006, chapter 258, section 21, that could not be certified by the Pollution Control Agency by the applicable deadline shall have until May 1, 2008, to obtain the required certification from the Pollution Control Agency.

**Sec. 44. EFFECTIVE DATE.**

Except as otherwise provided, this act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to capital improvements; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature with certain conditions; establishing new programs and modifying existing programs; authorizing the sale of state bonds; canceling and modifying previous appropriations; appropriating money; amending Minnesota Statutes 2006, section 16A.695, subdivisions 2, 3, by adding subdivisions; Laws 2005, chapter 20, article 1, sections 7, subdivision 21; 17; 20, subdivision 3; 21, subdivision 2; 23, subdivisions 8, 16; Laws 2005, chapter 156, article 2, section 46; Laws 2006, chapter 258, sections 4, subdivision 4; 7, subdivisions 3, 7, 11, 22; 16, subdivision 4; 21, subdivisions 6, 15; 23, subdivision 3."

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

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

**H.F. No. 1781:** A bill for an act relating to motor carriers; regulating insurance requirements for certain carriers; amending Minnesota Statutes 2006, section 221.141, subdivision 1e.

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

Delete everything after the enacting clause and insert:

"Section 1. **PROVIDER RATE INCREASES.**

(a) The commissioner of human services shall increase payment rates, allocations, reimbursement rates, or rate limits, as applicable, by 0.5 percent beginning October 1, 2007, and by 0.5 percent beginning July 1, 2008, for:

(1) home and community-based waived services for persons with developmental disabilities or related conditions, including consumer-directed community supports, under Minnesota Statutes, section 256B.501;

(2) home and community-based waived services for the elderly, including consumer-directed community supports, under Minnesota Statutes, section 256B.0915;

(3) waived services under community alternatives for disabled individuals, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(4) community alternative care waived services, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(5) traumatic brain injury waived services, including consumer-directed community supports, under Minnesota Statutes, section 256B.49;

(6) nursing services and home health services under Minnesota Statutes, section 256B.0625, subdivision 6a;

(7) personal care services and qualified professional supervision of personal care services under Minnesota Statutes, section 256B.0625, subdivision 19a;

(8) private duty nursing services under Minnesota Statutes, section 256B.0625, subdivision 7;

(9) day training and habilitation services for adults with developmental disabilities or related conditions under Minnesota Statutes, sections 252.40 to 252.46, including the additional cost of rate adjustments on day training and habilitation services, provided as a social service under Minnesota Statutes, section 256M.60;

(10) alternative care services under Minnesota Statutes, section 256B.0913;

(11) adult residential program grants under Minnesota Statutes, section 245.73;

(12) children's community-based mental health services grants and adult community support and case management services grants under Minnesota Rules, parts 9535.1700 to 9535.1760;

(13) the group residential housing supplementary service rate under Minnesota Statutes, section 256I.05, subdivision 1a;

(14) adult mental health integrated fund grants under Minnesota Statutes, section 245.4661;

(15) semi-independent living services (SILS) under Minnesota Statutes, section 252.275, including SILS funding under county social services grants formerly funded under Minnesota Statutes, chapter 256I;

(16) community support services for deaf and hard-of-hearing adults with mental illness who use or wish to use sign language as their primary means of communication under Minnesota Statutes, section 256.01, subdivision 2; and deaf and hard-of-hearing grants under Minnesota Statutes, sections 256C.233 and 256C.25; Laws 1985, chapter 9, article 1; and Laws 1997, First Special Session chapter 5, section 20;

(17) living skills training programs for persons with intractable epilepsy who need assistance in the transition to independent living under Laws 1988, chapter 689;

(18) physical therapy services under Minnesota Statutes, sections 256B.0625, subdivision 8, and 256D.03, subdivision 4;

(19) occupational therapy services under Minnesota Statutes, sections 256B.0625, subdivision 8a, and 256D.03, subdivision 4;

(20) speech-language therapy services under Minnesota Statutes, section 256D.03, subdivision 4, and Minnesota Rules, part 9505.0390;

(21) respiratory therapy services under Minnesota Statutes, section 256D.03, subdivision 4, and Minnesota Rules, part 9505.0295;

(22) adult rehabilitative mental health services under Minnesota Statutes, section 256B.0623;

(23) children's therapeutic services and support services under Minnesota Statutes, section 256B.0943;

(24) tier I chemical health services under Minnesota Statutes, chapter 254B;

(25) consumer support grants under Minnesota Statutes, section 256.476;

(26) family support grants under Minnesota Statutes, section 252.32;

(27) grants for case management services to persons with HIV or AIDS under Minnesota Statutes, section 256.01, subdivision 19;

(28) aging grants under Minnesota Statutes, sections 256.975 to 256.977, 256B.0917, and 256B.0928;

(29) nursing facilities reimbursed under Minnesota Statutes, section 256B.434; and

(30) intermediate care facilities for persons with mental retardation reimbursed under section 256B.5012, subdivision 7.

(b) Rate increases under paragraph (a) are in addition to any rate increases under 2007 H.F. No. 1078, if enacted. Rate increases under paragraph (a) are subject to all of the terms and conditions of rate increases authorized under 2007 H.F. No. 1078, if enacted.

(c) The commissioner shall report to the legislature by December 15, 2007, with recommendations to adjust the phased-in rebasing of nursing facility rates authorized under 2007 H.F. No. 1078, if enacted, in order to be budget neutral with 2007 H.F. No. 1078, if enacted.

## Sec. 2. APPROPRIATIONS.

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this act. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2008" and "2009" used in this act mean that the appropriations listed under them are available for the fiscal year ending June 30, 2008, or June 30, 2009, respectively. "The first year" is fiscal year 2008. "The second year" is fiscal year 2009." The biennium" is fiscal years 2008 and 2009.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2008</u>	<u>2009</u>



75TH DAY]	MONDAY, MAY 21, 2007	6395
<u>(j) Other Continuing Care Grants</u>	<u>67,000</u>	<u>232,000</u>
<u>(k) Community Social Services Grants</u>	<u>50,000</u>	<u>177,000</u>
<u>(l) Deaf and Hard-of-Hearing Grants</u>	<u>4,000</u>	<u>14,000</u>
<u>(m) Aging and Adult Services Grants</u>	<u>37,000</u>	<u>129,000</u>
<u>(n) Chemical Dependency Entitlement Grants</u>	<u>262,000</u>	<u>892,000"</u>

Amend the title accordingly

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

### SECOND READING OF SENATE BILLS

S.F. No. 2283 was read the second time.

### SECOND READING OF HOUSE BILLS

H.F. Nos. 1048 and 1781 were read the second time.

### MOTIONS AND RESOLUTIONS - CONTINUED

#### SUSPENSION OF RULES

Senator Pogemiller moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 1781 and that the rules of the Senate be so far suspended as to give H.F. No. 1781, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

**H.F. No. 1781:** A bill for an act relating to motor carriers; regulating insurance requirements for certain carriers; amending Minnesota Statutes 2006, section 221.141, subdivision 1e.

Senator Pogemiller moved that H.F. No. 1781 be laid on the table. The motion prevailed.

#### RECESS

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

#### SUSPENSION OF RULES

Senator Pogemiller moved that an urgency be declared within the meaning of Article IV, Section

19, of the Constitution of Minnesota, with respect to H.F. No. 1048 and that the rules of the Senate be so far suspended as to give H.F. No. 1048, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

**H.F. No. 1048:** A bill for an act relating to state government; abolishing the Department of Employee Relations; transferring duties; providing certain protections for employees.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 59 and nays 7, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Gerlach	Limmer	Ortman	Vandev eer
Hann	Olson, G.	Pariseau	

So the bill passed and its title was agreed to.

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Jungbauer moved that his be name stricken as a co-author to S.F. No. 1688. The motion prevailed.

Senator Dibble moved that his name be stricken as a co-author to S.F. No. 1688. The motion prevailed.

Senator Sieben moved that her name be stricken as a co-author to S.F. No. 1688. The motion prevailed.

Senator Day moved that his name be stricken as a co-author to S.F. No. 1688. The motion prevailed.

Senator Skoe moved that the names of Senators Rosen; Skogen; Olson, M. and Clark be added as co-authors to S.F. No. 1688. The motion prevailed.

Senator Skoe moved that H.F. No. 1781 be taken from the table. The motion prevailed.

**H.F. No. 1781:** A bill for an act relating to motor carriers; regulating insurance requirements for certain carriers; amending Minnesota Statutes 2006, section 221.141, subdivision 1e.

Senator Skoe moved that H.F. No. 1781 be laid on the table. The motion prevailed.

#### **CONFIRMATION**

Senator Cohen moved that the report from the Committee on Finance, reported February 5, 2007, pertaining to appointments, be taken from the table. The motion prevailed.

Senator Cohen moved that the foregoing report be now adopted. The motion prevailed.

Senator Cohen moved that in accordance with the report from the Committee on Finance, reported February 5, 2007, the Senate, having given its advice, do now consent to and confirm the appointment of:

#### **DEPARTMENT OF FINANCE COMMISSIONER**

Thomas J. Hanson, 7200 Orchid Ln. N., Maple Grove, Hennepin County, effective January 2, 2007, for a term expiring on January 3, 2011.

The motion prevailed. So the appointment was confirmed.

#### **CONFIRMATION**

Senator Rest moved that the report from the Committee on State and Local Government Operations and Oversight, reported February 7, 2007, pertaining to appointments, be taken from the table. The motion prevailed.

Senator Rest moved that the foregoing report be now adopted. The motion prevailed.

Senator Rest moved that in accordance with the report from the Committee on State and Local Government Operations and Oversight, reported February 7, 2007, the Senate, having given its advice, do now consent to and confirm the appointment of:

#### **DEPARTMENT OF EMPLOYEE RELATIONS COMMISSIONER**

Patricia Anderson, 4005 Deerwood Trl., Eagan, Dakota County, effective January 11, 2007, for a term expiring on January 3, 2011.

The motion prevailed. So the appointment was confirmed.

#### **MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Saltzman moved that the names of Senators Bakk and Olseen be added as co-authors to S.F. No. 2348. The motion prevailed.

#### **Senators Pogemiller and Senjem introduced –**

**Senate Resolution No. 121:** A Senate resolution relating to conduct of Senate business during the interim between Sessions.

BE IT RESOLVED, by the Senate of the State of Minnesota:

The powers, duties and procedures set forth in this resolution apply during the interim between the adjournment of the 85th Legislature, 2007 session and the convening of the 85th Legislature, 2008 session.

The Subcommittee on Committees of the Committee on Rules and Administration shall appoint persons as necessary to fill any vacancies that may occur in commissions and other bodies whose members are to be appointed by the Senate authorized by rule, statute, resolution, or otherwise.

The Committee on Rules and Administration shall establish positions, set compensation and benefits, appoint employees and authorize expense reimbursement as it deems proper to carry out the work of the Senate.

The Secretary of the Senate shall classify as eligible for benefits under Minnesota Statutes, sections 3.095 and 43A.24, those Senate employees heretofore or hereafter certified as eligible for benefits by the Committee on Rules and Administration.

The Secretary of the Senate may employ after the close of the session the employees necessary to finish the business of the Senate at the salaries paid under the rules of the Senate for the 2007 regular session. The Secretary of the Senate may employ the necessary employees to prepare for the 2008 session at the salaries in effect at that time.

The Secretary of the Senate, as authorized and directed by the Committee on Rules and Administration, shall furnish each member of the Senate with postage and supplies and, upon proper verification of the expenses incurred, shall reimburse each member for expenses as authorized from time to time by the Committee on Rules and Administration.

The Secretary of the Senate shall correct and approve the Journal of the Senate for those days that have not been corrected and approved by the Senate, and shall correct printing errors found in the Journal of the Senate for the 2007 session. The Secretary of the Senate may include in the Senate Journal proceedings of the last day, appointments by the Subcommittee on Committees to interim commissions created by legislative action, permanent commissions or committees established by statute, standing committees, official communications and other matters of record received on or after May 21, 2007.

The Secretary of the Senate may pay election and litigation costs as authorized by the Committee on Rules and Administration.

The Secretary of the Senate, with the approval of the Committee on Rules and Administration, shall secure bids and enter into contracts for remodeling and improvement of Senate office space, and shall purchase all supplies, equipment, and other goods and services necessary to carry out the work of the Senate. Contracts in excess of \$10,000 must be signed by the Chair of the Committee on Rules and Administration and another member designated by the Chair.

The Secretary of the Senate shall draw warrants from the legislative expense fund in payment of the accounts referred to in this resolution.

All Senate records, including committee books, are subject to the direction of the Committee on Rules and Administration.

The Senate Chamber, retiring room, committee rooms, all conference rooms, storage rooms, Secretary of the Senate's office, Rules and Administration office, and any and all other space assigned to the Senate, are reserved for use by the Senate and its standing committees only and must not be released or used for any other purpose except upon the authorization of the Secretary of the Senate with the approval of the Committee on Rules and Administration or its Chair.

The Custodian of the Capitol shall continue to provide parking space for members and staff of the Legislature under Senate Concurrent Resolution No. 2.

Senator Pogemiller moved the adoption of the foregoing resolution.

The question was taken on the adoption of the resolution.

The roll was called, and there were yeas 67 and nays 0, as follows:

Those who voted in the affirmative were:

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

The motion prevailed. So the resolution was adopted.

### 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 bills were read the first time.

#### **Senators Latz, Scheid, Higgins and Saxhaug introduced—**

**S.F. No. 2361:** A bill for an act relating to commerce; enacting a car buyers' bill of rights; requiring disclosures; regulating the sale of used motor vehicles; requiring a cancellation option on purchase of a used motor vehicle; amending Minnesota Statutes 2006, sections 53C.01, by adding a subdivision; 53C.08, subdivision 2; 325F.662, subdivision 10, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 53C.

Referred to the Committee on Commerce and Consumer Protection.

**Senator Michel introduced—**

**S.F. No. 2362:** A bill for an act relating to governmental performance; prohibiting per diem payments to legislators and payment of salary to legislative leaders and the governor during special sessions called due to failure of the legislature to pass major bills; amending Minnesota Statutes 2006, section 3.099, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3; 4.

Referred to the Committee on Rules and Administration.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Skoe moved that H.F. No. 1781 be taken from the table. The motion prevailed.

**H.F. No. 1781:** A bill for an act relating to motor carriers; regulating insurance requirements for certain carriers; amending Minnesota Statutes 2006, section 221.141, subdivision 1e.

Senator Neuville moved to amend H.F. No. 1781, the unofficial engrossment, as follows:

Page 5, after line 2, insert:

"Sec. 4. Minnesota Statutes 2006, section 256B.431, is amended by adding a subdivision to read:

Subd. 44. **County designation.** (a) For rate years beginning on or after October 1, 2007, and subject to paragraph (b), nursing facilities in Rice County located within two miles of Scott County or Dakota County shall be considered metro, in order to:

(1) determine rate increases under this section, section 256B.434, or any other section; and

(2) establish nursing facility reimbursement rates for any new nursing facility reimbursement system developed under section 256B.440.

(b) Paragraph (a) applies only if designation as a metro facility results in a level of reimbursement that is higher than the level the facility would have received without application of paragraph (a)."

Renumber the sections in sequence and correct the internal references

Amend the title numbers accordingly

Senator Koering moved to amend the Neuville amendment to H.F. No. 1781, the unofficial engrossment, as follows:

Page 1, line 7, after "Rice" insert ", Crow Wing, and Morrison" and delete "County" and insert "Counties"

Page 1, line 8, delete "Scott County" and insert "Scott and Crow Wing Counties" and delete "Dakota County" and insert "Dakota and Morrison Counties"

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

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

**RECONSIDERATION**

Having voted on the prevailing side, Senator Skoe moved that the vote whereby the Neuville amendment to H.F. No. 1781 was not adopted on May 21, 2007, be now reconsidered. The motion prevailed. So the vote was reconsidered.

The question recurred on the adoption of the Neuville amendment.

The roll was called, and there were yeas 21 and nays 45, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

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

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

H.F. No. 1781 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 67 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

**MOTIONS AND RESOLUTIONS - CONTINUED**

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

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.

#### **Senators Vandever, Hann, Vickerman, Wiger and Stumpf introduced--**

**S.F. No. 2363:** A bill for an act relating to the military; providing assistance to school districts that pay salary differential for certain members of the military; appropriating money; amending Minnesota Statutes 2006, section 471.975.

Referred to the Committee on Agriculture and Veterans.

### **RECESS**

Senator Pogemiller moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

### **MEMBERS EXCUSED**

Senators Bakk and Moua were excused from the Session of today from 9:00 to 9:45 a.m. Senator Scheid was excused from the Session of today from 9:00 to 10:30 a.m. Senator Anderson was excused from the Session of today from 9:00 to 10:40 a.m. Senator Johnson was excused from the Session of today from 9:00 to 11:30 a.m. Senator Stumpf was excused from the Session of today from 9:00 a.m. to 10:40 p.m. Senator Vandever was excused from the Session of today from 9:30 to 9:45 a.m. Senator Dibble was excused from the Session of today from 11:20 to 11:25 a.m. Senator Clark was excused from the Session of today from 11:20 to 11:30 a.m. Senator Rest was excused from the Session of today from 4:50 to 6:00 p.m.

### **ADJOURNMENT**

Senator Pogemiller moved that the Senate do now adjourn until 12:00 noon, Tuesday, February 12, 2008. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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Monday, May 21, 2007

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