

EIGHTH DAY

St. Paul, Minnesota, Thursday, January 27, 2011

The Senate met at 11:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Koch 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. Steven M. Benson.

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	Gazelka	Kruse	Nienow	Sheran
Bakk	Gerlach	Kubly	Olson	Sieben
Benson	Gimse	Langseth	Ortman	Skoe
Berglin	Goodwin	Latz	Pappas	Sparks
Bonoff	Hall	Lillie	Parry	Stumpf
Brown	Hann	Limmer	Pederson	Thompson
Carlson	Harrington	Lourey	Pogemiller	Torres Ray
Chamberlain	Higgins	Magnus	Reinert	Vandever
Cohen	Hoffman	Marty	Rest	Wiger
Dahms	Howe	Metzen	Robling	Wolf
Daley	Ingebrigtsen	Michel	Rosen	
DeKruif	Jungbauer	Miller	Saxhaug	
Dibble	Kelash	Nelson	Scheid	
Fischbach	Koch	Newman	Senjem	

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.

January 6, 2011

The Honorable Michelle L. Fischbach
President of the Senate

Dear Senator Fischbach:

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

COMMISSIONER OF COMMERCE

Michael J. Rothman, 4613 Mounthall Ter., Minnetonka, in the county of Hennepin, effective January 12, 2011, for a term expiring on January 5, 2015.

(Referred to the Committee on Commerce and Consumer Protection.)

January 13, 2011

The Honorable Michelle L. Fischbach
President of the Senate

Dear Senator Fischbach:

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

COMMISSIONER OF VETERANS AFFAIRS

Major General Larry Shellito, 7597 Newbury Rd., Woodbury, in the county of Washington, effective January 13, 2011, for a term expiring on January 5, 2015.

(Referred to the Committee on State Government Innovation and Veterans.)

January 21, 2011

The Honorable Michelle L. Fischbach
President of the Senate

Dear Senator Fischbach:

Enclosed is a copy of the Notice of Appointment for Mary R. Ellison, whom I have appointed Acting Commissioner of Public Safety, effective January 24, 2011.

Sincerely,
Mark Dayton, Governor

January 24, 2011

The Honorable Yvonne Prettner Solon
Lt. Governor of Minnesota

Dear Lt. Governor Prettner Solon:

As President of the Senate, I am hereby making the following appointment:

Pursuant to Minnesota Statutes 2010

Section 15B.03, Subd. 1(e): Capitol Area Architectural and Planning Board - Senators Benjamin

Kruse and Gen Olson, effective January 24, 2011, for a term expiring January 5, 2015.

Sincerely,
Michelle Fischbach
Senate President

REPORTS OF COMMITTEES

Senator Koch moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 39 and 60 and the report pertaining to the appointment. The motion prevailed.

Senator Ingebrigtsen from the Committee on Environment and Natural Resources, to which was referred

S.F. No. 48: A bill for an act relating to state lands; modifying stream easement acquisition provisions; modifying state park, state forest, and land exchange provisions; adding to and deleting from state parks and state forests; authorizing public and private sales, conveyances, and exchanges of certain state land; amending Minnesota Statutes 2010, sections 84.0272, subdivision 2; 85.012, subdivision 40; 89.021, by adding a subdivision; 89.032, subdivision 2; 94.342, by adding a subdivision.

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

Senator Nelson, for Senator Olson, from the Committee on Education, to which was referred

S.F. No. 40: A bill for an act relating to education; amending teacher licensure provisions; establishing an alternative teacher preparation program and limited-term teacher license; requiring reports; amending Minnesota Statutes 2010, sections 122A.16; 122A.23, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 122A.

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

Page 1, line 13, after "chapter" insert "including section 122A.245, among other sections,"

Page 1, line 14, reinstate the stricken language and delete the new language

Page 1, line 15, delete the new language

Page 1, delete lines 16 and 17

Page 1, line 18, delete everything before the period

Page 3, line 4, before "teacher" insert "alternative"

Page 3, line 5, delete "Partnerships" and insert "Alternative teacher preparation programs"

Page 3, line 16, after "on" insert "the relevant"

Page 3, line 33, delete "local site team" and insert "school district or charter school"

Page 4, after line 9, insert:

"A collective bargaining agreement must not limit or prohibit employment of teachers licensed under this section."

Page 4, line 10, delete everything after "A" and insert "school district or charter school"

Page 4, delete line 11

Page 4, line 28, delete "subdivisions" and insert "subdivision"

Page 4, line 29, delete "and" and insert "or"

Page 4, line 30, delete "If" and delete "with" and insert "holding"

Page 4, line 31, delete everything after "section"

Page 4, line 32, delete everything before "is" and before "qualified" insert "highly" and delete "within"

Page 4, line 33, delete everything before "section" and insert "under"

Page 5, after line 2, insert:

"Sec. 4. **REPEALER.**

Minnesota Statutes 2010, section 122A.24, is repealed.

EFFECTIVE DATE. This section is effective August 1, 2011."

Amend the title numbers accordingly

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

Senator Ingebrigtsen from the Committee on Environment and Natural Resources, to which was referred

S.F. No. 39: A bill for an act relating to waters; eliminating Mississippi River critical area; repealing Minnesota Statutes 2010, section 116G.15.

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

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2010, section 116G.15, subdivision 1, is amended to read:

Subdivision 1. **Establishment; purpose Designation.** The federal Mississippi National River and Recreation Area established pursuant to United States Code, title 16, section 460zz-2(k), is designated an area of critical concern in accordance with this chapter. ~~The purpose of the designation is to:~~

~~(1) protect and preserve the Mississippi River and adjacent lands that the legislature finds to be unique and valuable state and regional resources for the benefit of the health, safety, and welfare of~~

~~the citizens of the state, region, and nation;~~

~~(2) prevent and mitigate irreversible damages to these state, regional, and natural resources;~~

~~(3) preserve and enhance the natural, aesthetic, cultural, and historical values of the Mississippi River and adjacent lands for public use and benefit;~~

~~(4) protect and preserve the Mississippi River as an essential element in the national, state, and regional transportation, sewer and water, and recreational systems; and~~

~~(5) protect and preserve the biological and ecological functions of the Mississippi River corridor.~~

Sec. 2. **RULEMAKING.**

The rulemaking authority granted under Minnesota Statutes, section 116G.15, subdivision 7, is explicitly repealed by this act and any rulemaking to effectuate the purpose of Laws 2009, chapter 172, article 2, section 27, commenced by the commissioner of natural resources under that authority or any other authority is void and must cease on the effective date of this section.

Sec. 3. **REPEALER.**

Minnesota Statutes 2010, section 116G.15, subdivisions 2, 3, 4, 5, 6, and 7, are repealed.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 to 3 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to natural resources; eliminating specific requirements for rulemaking on the Mississippi River Corridor Critical Area; amending Minnesota Statutes 2010, section 116G.15, subdivision 1; repealing Minnesota Statutes 2010, section 116G.15, subdivisions 2, 3, 4, 5, 6, 7."

And when so amended the bill do pass. Senator Pappas questioned the reference thereon and, under Rule 21, the bill was referred to the Committee on Rules and Administration.

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

S.F. No. 60: A bill for an act relating to state government finance; making appropriation reductions for fiscal year 2011, policy changes, and appropriation reductions for fiscal years 2012 and 2013; making changes to tax aids and credits and reducing payments; amending Minnesota Statutes 2010, sections 256B.766; 270A.03, subdivision 7; 273.1384, subdivision 6; 289A.50, subdivision 1; 290.01, subdivision 6; 290A.03, subdivisions 11, 13; 290C.07; 477A.013, subdivision 9; 477A.03; Laws 2010, First Special Session chapter 1, article 5, sections 4; 5; proposing coding for new law in Minnesota Statutes, chapter 477A; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 290.06, subdivision 23.

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

Page 3, line 29, delete "(32,288,000)" and insert "(19,659,000)" and delete "(32,288,000)" and insert "(19,659,000)"

Page 4, delete lines 3 to 6

Page 4, line 7, delete "(b)" and insert "(a)" and delete "(19,259,000)" and insert "(13,659,000)" and delete "(19,259,000)" and insert "(13,659,000)"

Page 4, line 8, delete "(c)" and insert "(b)" and delete "(7,990,000)" and insert "(5,267,000)" and delete "(7,990,000)" and insert "(5,267,000)"

Page 4, line 11, delete "to \$0"

Page 4, line 13, delete "(d)" and insert "(c)" and delete "(1,100,000)" and insert "(733,000)" and delete "(1,100,000)" and insert "(733,000)"

Page 4, line 17, delete "to \$0"

Page 4, delete subdivision 3

Page 4, line 25, delete "\$200,000,000" and insert "\$125,000,000"

Page 4, delete lines 30 to 32 and insert:

"(b) The commissioner may not reduce appropriations for:

(1) general education programs under Minnesota Statutes, section 126C.10, and special education programs under Minnesota Statutes, sections 125A.76 and 125A.79;

(2) enlistment incentives provided by the adjutant general;

(3) the state soldiers' assistance program under Minnesota Statutes, section 197.03;

(4) the county veterans service office grant program under Minnesota Statutes, section 197.608;

(5) the higher education grant program under Minnesota Statutes, section 136A.121;

(6) flood and tornado disaster relief in Laws 2010, Second Special Session chapter 1, article 1, section 3, and article 2, section 3, for use by the commissioner of public safety;

(7) local government flood relief grants in Laws 2010, Second Special Session chapter 1, article 1, section 5;

(8) the job skills partnership program under Minnesota Statutes, chapter 116L;

(9) the vocational rehabilitation program under Minnesota Statutes, chapter 268A; and

(10) the facilities division of the Department of Corrections.

The commissioner may not further reduce appropriations to the Board of"

Page 5, delete lines 15 to 20 and insert:

"Subd. 2. **Senate.** \$72,000.

Subd. 3. **House of representatives.** \$96,000.

Subd. 4. **State auditor.** \$41,000.

Subd. 5. Attorney general. \$500,000.

Subd. 6. Secretary of state. \$127,000."

Page 5, delete article 4 and insert:

"ARTICLE 4

TAX AIDS AND CREDITS

Section 1. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 2. Minnesota Statutes 2010, section 273.1384, subdivision 6, is amended to read:

Subd. 6. **Credit reduction; towns.** In 2011 and each year thereafter, the market value credit reimbursement amount for each ~~taxing jurisdiction town~~ determined under this section is reduced by the dollar amount of the reduction in market value credit reimbursements for that ~~taxing jurisdiction town~~ in 2010 due to the reductions under section 477A.0133. No ~~taxing jurisdiction's town's~~ market value credit reimbursements are reduced to less than zero under this subdivision. The commissioner of revenue shall pay the annual market value credit reimbursement amounts, after reduction under this subdivision, to the affected ~~taxing jurisdictions towns~~ as provided in this section.

EFFECTIVE DATE. This section is effective for credit reimbursements in 2011 and thereafter.

Sec. 3. Minnesota Statutes 2010, section 273.1384, is amended by adding a subdivision to read:

Subd. 7. **Credit reductions and limitation; counties and cities.** (a) In 2011 and 2012, the market value credit reimbursement payment to each county and city authorized under subdivision

4 may not exceed the reimbursement payment received by the county or city for taxes payable in 2010.

(b) In 2013 and each year thereafter, the market value credit reimbursement amount for each city and county determined under this section is reduced by the dollar amount of the reduction in market value credit reimbursements for that city or county in 2010 due to the reductions under sections 477A.0133 and 477A.0134. No taxing jurisdiction's market value credit reimbursements are reduced to less than zero under this subdivision. The commissioner of revenue shall pay the annual market value credit reimbursement amounts, after reduction under this subdivision, to the affected city or county as provided in this section.

EFFECTIVE DATE. This section is effective for credit reimbursements in 2011 and thereafter.

Sec. 4. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount

necessary to pay refunds allowed under this section.

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes" means ~~19~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 7. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include ~~19~~ 15 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide

documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 8. Minnesota Statutes 2010, section 290C.07, is amended to read:

290C.07 CALCULATION OF INCENTIVE PAYMENT.

(a) An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. Subject to the limitation contained in paragraph (b), 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 a class rate of one percent, if the land were valued at (i) the average statewide managed forest land market value per acre calculated under section 290C.06, and (ii) the average statewide managed forest land 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 a class rate of one percent, provided that the payment shall be no less than \$7 \$7.75 per acre for each acre enrolled in the sustainable forest incentive program.~~

(b) The annual payment under this section per each Social Security number or state or federal business tax identification number must not exceed \$100,000.

EFFECTIVE DATE. This section is effective for payments in calendar year 2011 and thereafter.

Sec. 9. Minnesota Statutes 2010, section 477A.0124, is amended by adding a subdivision to read:

Subd. 6. **Aid payments in 2011 and 2012.** Notwithstanding total aids calculated or certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under subdivisions 3 to 5.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2011 and 2012.

Sec. 10. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) For aids payable in ~~2011~~ 2013 only, the total aid in the previous year for any city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~ 2012 under this section ~~minus the amount of its aid reduction under section 477A.0134.~~ For aids payable in ~~2012~~ 2014 and thereafter, the total aid in the previous year for any city means the amount of aid it was certified to

receive under this section in the previous payable year.

(c) For aids payable in 2010 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 2009 and thereafter, the total aid for any city with a population of 2,500 or more may not be less than its total aid under this section in the previous year minus the lesser of \$10 multiplied by its population, or ten percent of its net levy in the year prior to the aid distribution.

(d) For aids payable in 2010 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 \$10 multiplied by its population, or five percent of its 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a population less than 2,500 must not be less than what it received under this section in the previous year unless its total aid in calendar year 2008 was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum aid is zero.

(e) A city's aid loss under this section may not exceed \$300,000 in any year in which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or greater than the appropriation under that subdivision in the previous year, unless the city has an adjustment in its city net tax capacity under the process described in section 469.174, subdivision 28.

(f) 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 (c) 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 calendar year 2012 and thereafter.

Sec. 11. Minnesota Statutes 2010, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **Aid payments in 2011 and 2012.** Notwithstanding aids calculated or certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, and reduced by the amount of payments made under section 477A.011, subdivision 36, paragraphs (y) and (z), and, for 2011 only, increased by the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), or (2) the amount it was certified to receive in 2011 under subdivision 9.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2011 and 2012.

Sec. 12. Minnesota Statutes 2010, 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 ~~2011~~ 2013 and thereafter, the total aid paid under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$426,438,012.

Subd. 2b. **Counties.** (a) For aids payable in ~~2011~~ 2013 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$80,795,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget 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 ~~2011~~ 2013 and thereafter, the total aid under section 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$84,909,575. The commissioner of management and budget 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 management and budget and the commissioner of education for the preparation of local impact notes.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 13. ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.

In administering sections 6 and 7 for claims for refunds submitted using 19 percent of gross rent as rent constituting property taxes under prior law, the commissioner shall recalculate and pay the refund amounts using 15 percent of gross rent. The commissioner shall notify the claimant that the recalculation was mandated by action of the 2011 Legislature.

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

Sec. 14. REPEALER.

(a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967, subdivision 2, are repealed.

(b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for refund claims based on contributions made after June 30, 2011.

ARTICLE 5

FEDERAL UPDATE

Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

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

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating 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 ~~March 18, 2010~~ September 27, 2010, shall be in effect for taxable years beginning after December 31, 1996. The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6).

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

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

Sec. 3. Minnesota Statutes 2010, 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:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

(B) 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, including any dividends exempt under subitem (A), 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, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise 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, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) 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, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions 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) for taxable years beginning before January 1, 2011, 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

(10) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

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

(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code;

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

(17) the amount of unemployment compensation exempt from tax under section 85(c) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 4. Minnesota Statutes 2010, 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 (20), (21), (22), and (23);

(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 Division C, title III, section 303(b) of Public Law 110-343;

(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) for taxable years beginning before January 1, 2011, 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;

(18) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(19) the amount of expenses disallowed under section 290.10, subdivision 2;

(20) 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;

(21) except as already included in the taxpayer's taxable income pursuant to clause (20), 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;

(22) 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;

(23) 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;

(24) the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

(25) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

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

Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable on or after December 31, 2010, and rent paid on or after December 31, 2009.

Sec. 7. **CORRECTED FORM W-2 NOT REQUIRED.**

Employers who have prepared and distributed form W-2, wage and tax statement, for tax year 2010, that reported to employees the amount of health coverage provided to adult children under age 27 includable in net income under prior law, are not required to prepare and distribute corrected tax year 2010 form W-2.

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

Amend the title as follows:

Page 1, line 4, after the second semicolon, insert "conforming to certain changes in the Internal Revenue Code;"

Amend the title numbers accordingly

And when so amended the bill do pass. Senator Bakk questioned the reference thereon and, under Rule 21, the bill was referred to the Committee on Rules and Administration.

Senator Olson from the Committee on Education, to which was referred

S.F. No. 56: A bill for an act relating to education; providing school district budget relief; amending Minnesota Statutes 2010, section 126C.44; repealing Minnesota Statutes 2010, sections 122A.61; 123B.05.

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

Page 2, line 24, delete "rate of"

Page 3, line 5, delete "rate of"

Page 3, line 10, before the semicolon, insert "or that decreases the number of student contact days in the 2011-2012 and 2012-2013 school years" and delete everything after the semicolon

Page 3, line 11, delete "rate of"

Page 3, line 17, delete everything after the period

Page 3, delete lines 18 and 19

Page 3, line 20, delete "effective date of this section."

Page 3, line 23, delete "rate of"

Page 4, line 2, delete "in the rate of" and insert "to"

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

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

S.F. No. 82: A bill for an act relating to state government finance; making changes to tax aids and credits and reducing payments; amending Minnesota Statutes 2010, sections 270A.03, subdivision 7; 273.1384, subdivision 6; 289A.50, subdivision 1; 290.01, subdivision 6; 290A.03, subdivisions 11, 13; 290C.07; 477A.013, subdivision 9; 477A.03; proposing coding for new law in Minnesota Statutes, chapter 477A; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 290.06, subdivision 23.

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

Page 1, after line 9, insert:

"ARTICLE 1

TAX AIDS AND CREDITS"

Page 2, delete section 2 and insert:

"Sec. 2. Minnesota Statutes 2010, section 273.1384, subdivision 6, is amended to read:

Subd. 6. **Credit reduction; towns.** In 2011 and each year thereafter, the market value credit reimbursement amount for each ~~taxing jurisdiction~~ town determined under this section is reduced by the dollar amount of the reduction in market value credit reimbursements for that ~~taxing jurisdiction~~ town in 2010 due to the reductions under section 477A.0133. No ~~taxing jurisdiction's~~ town's market value credit reimbursements are reduced to less than zero under this subdivision. The commissioner of revenue shall pay the annual market value credit reimbursement amounts, after reduction under this subdivision, to the affected ~~taxing jurisdictions~~ towns as provided in this section.

EFFECTIVE DATE. This section is effective for credit reimbursements in 2011 and thereafter.

Sec. 3. Minnesota Statutes 2010, section 273.1384, is amended by adding a subdivision to read:

Subd. 7. **Credit reductions and limitation; counties and cities.** (a) In 2011 and 2012, the market value credit reimbursement payment to each county and city authorized under subdivision 4 may not exceed the reimbursement payment received by the county or city for taxes payable in 2010.

(b) In 2013 and each year thereafter, the market value credit reimbursement amount for each city and county determined under this section is reduced by the dollar amount of the reduction in market value credit reimbursements for that city or county in 2010 due to the reductions under sections 477A.0133 and 477A.0134. No taxing jurisdiction's market value credit reimbursements are reduced to less than zero under this subdivision. The commissioner of revenue shall pay the annual market value credit reimbursement amounts, after reduction under this subdivision, to the affected city or county as provided in this section.

EFFECTIVE DATE. This section is effective for credit reimbursements in 2011 and thereafter."

Page 5, line 5, strike "the greater of:"

Page 5, strike lines 6 to 13

Page 5, line 14, strike "less than \$7" and insert "\$7.75"

Page 5, after line 18, insert:

"Sec. 9. Minnesota Statutes 2010, section 477A.0124, is amended by adding a subdivision to read:

Subd. 6. **Aid payments in 2011 and 2012.** Notwithstanding total aids calculated or certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under subdivisions 3 to 5.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2011 and 2012."

Page 5, line 23, delete "2012" and insert "2013"

Page 5, line 25, delete "2011" and insert "2012" and strike "minus the amount of its aid reduction under section"

Page 5, line 26, delete "477A.0135" and delete "2013" and insert "2014"

Page 6, delete section 9 and insert:

"Sec. 11. Minnesota Statutes 2010, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **Aid payments in 2011 and 2012.** Notwithstanding aids calculated or certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, and reduced by the amount of payments made under section 477A.011, subdivision 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under subdivision 9.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2011 and 2012."

Page 7, lines 4, 6, and 18, delete "2012" and insert "2013"

Page 8, after line 10, insert:

"ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

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

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this

subdivision, incorporating 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 ~~March 18, 2010~~ September 27, 2010, shall be in effect for taxable years beginning after December 31, 1996. The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6).

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

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

Sec. 3. Minnesota Statutes 2010, 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:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of

the United States; and

(B) 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, including any dividends exempt under subitem (A), 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, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise 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, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) 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, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions 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) for taxable years beginning before January 1, 2011, 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

(10) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

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

(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code;

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

(17) the amount of unemployment compensation exempt from tax under section 85(c) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 4. Minnesota Statutes 2010, 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 (20), (21), (22), and (23);

(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 Division C, title III, section 303(b) of Public Law 110-343;

(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) for taxable years beginning before January 1, 2011, 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;

(18) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(19) the amount of expenses disallowed under section 290.10, subdivision 2;

(20) 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;

(21) except as already included in the taxpayer's taxable income pursuant to clause (20), 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;

(22) 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;

(23) 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;

(24) the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

(25) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

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

Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable on or after December 31, 2010, and rent paid on or after December 31, 2009.

Sec. 7. **CORRECTED FORM W-2 NOT REQUIRED.**

Employers who have prepared and distributed form W-2, wage and tax statement, for tax year 2010, that reported to employees the amount of health coverage provided to adult children under age 27 includable in net income under prior law, are not required to prepare and distribute corrected tax year 2010 form W-2.

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

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, after the semicolon, insert "conforming to certain changes in the Internal Revenue Code;"

Amend the title numbers accordingly

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

Senator Olson from the Committee on Education, to which was referred

S.F. No. 55: A bill for an act relating to education; modifying charter authorizer approval deadline; amending Minnesota Statutes 2010, section 124D.10, subdivision 3.

Reports the same back with the recommendation that the bill do pass and be placed on the Consent Calendar. Report adopted.

Senator Olson from the Committee on Education, to which was referred

S.F. No. 69: A bill for an act relating to education; reducing mandates for home schools; relieving superintendents of certain reporting requirements; amending Minnesota Statutes 2010, sections 120A.22, subdivision 11; 120A.24; 121A.15, subdivision 8; 123B.42, subdivision 1; 123B.44, subdivision 1; 171.05, subdivision 2; 171.17, subdivision 1; 171.22, subdivision 1; 181A.05, subdivision 1; repealing Minnesota Statutes 2010, section 120A.26, subdivisions 1, 2.

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

Page 4, line 2, strike "and" and after "4" insert ", and 12"

Page 4, line 3, after "homeschooling" insert "in Minnesota"

Page 5, line 17, after "area" insert "with a total enrollment of more than 15 pupils"

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

Senator Parry from the Committee on State Government Innovation and Veterans, to which was referred the following appointment:

OFFICE OF ADMINISTRATIVE HEARINGS
CHIEF ADMINISTRATIVE LAW JUDGE
Raymond R. Krause

Reports the same back with the recommendation that the appointment be confirmed.

Senator Koch moved that the foregoing committee report be laid on the table. The motion prevailed.

Senator Hann from the Committee on Health and Human Services, to which was referred

S.F. No. 33: A bill for an act relating to health; providing a statement of public policy declaring that every resident of Minnesota has the freedom of choice in health care; amending Minnesota Statutes 2010, section 8.31, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 1; repealing Minnesota Statutes 2010, sections 256B.055, subdivision 15; 256B.0756; Laws 2010, First Special Session chapter 1, article 16, sections 6; 7; 18; 46; 47.

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

Page 3, after line 11, insert:

"Sec. 3. Laws 2010, First Special Session chapter 1, article 25, section 3, subdivision 2, is amended to read:

Subd. 2. Agency Management

(a) ~~Financial Operations~~ -0- 103,000

~~Base Adjustment.~~ The general fund base is decreased by \$10,000 in fiscal year 2012 and \$10,000 in fiscal year 2013.

(b) ~~Legal and Regulatory Operations~~ -0- 114,000

~~Base Adjustment.~~ The general fund base is decreased by \$18,000 in fiscal year 2012 and \$18,000 in fiscal year 2013.

(c) ~~(b) Management Operations~~ -0- (114,000)

~~Base Adjustment.~~ The general fund base is increased by \$18,000 in fiscal year 2012 and \$18,000 in fiscal year 2013.

(d) ~~(c) Information Technology Operations~~ -0- (2,500,000)

~~Base Adjustment.~~ The general fund base is decreased by \$1,666,000 in fiscal year 2012 and \$1,666,000 in fiscal year 2013.

Sec. 4. Laws 2010, First Special Session chapter 1, article 25, section 3, subdivision 5, is amended to read:

Subd. 5. Children and Economic Assistance Management

(a) ~~Children and Economic Assistance Administration~~ -0- -0-

~~Base Adjustment.~~ The federal TANF fund

base is decreased by \$700,000 in fiscal year 2012 and \$700,000 in fiscal year 2013.

(b) **Children and Economic Assistance Operations** -0- 195,000 90,000

Base Adjustment. The general fund base is ~~decreased~~ increased by ~~\$12,000~~ \$93,000 in fiscal year 2012 and ~~\$12,000~~ \$93,000 in fiscal year 2013.

Sec. 5. Laws 2010, First Special Session chapter 1, article 25, section 3, subdivision 6, is amended to read:

Subd. 6. **Health Care Grants**

(a) **MinnesotaCare Grants** 998,000 (13,376,000)

This appropriation is from the health care access fund.

~~**Health Care Access Fund Transfer to General Fund.** The commissioner of management and budget shall transfer the following amounts in the following years from the health care access fund to the general fund: \$998,000 in fiscal year 2010; \$176,704,000 in fiscal year 2011; \$141,041,000 in fiscal year 2012; and \$286,150,000 in fiscal year 2013. If at any time the governor issues an executive order not to participate in early medical assistance expansion, no funds shall be transferred from the health care access fund to the general fund until early medical assistance expansion takes effect. This paragraph is effective the day following final enactment.~~

MinnesotaCare Ratable Reduction. Effective for services rendered on or after July 1, 2010, to December 31, 2013, MinnesotaCare payments to managed care plans under Minnesota Statutes, section 256L.12, for single adults and households without children whose income is greater than 75 percent of federal poverty guidelines shall be reduced by 15 percent. Effective for services provided from July 1, 2010, to June 30, 2011, this reduction shall apply to all services. Effective for services provided

from July 1, 2011, to December 31, 2013, this reduction shall apply to all services except inpatient hospital services. Notwithstanding any contrary provision of this article, this paragraph shall expire on December 31, 2013.

(b) Medical Assistance Basic Health Care Grants - Families and Children

-0- 295,512,000

Critical Access Dental. Of the general fund appropriation, \$731,000 in fiscal year 2011 is to the commissioner for critical access dental provider reimbursement payments under Minnesota Statutes, section 256B.76 subdivision 4. This is a onetime appropriation.

Nonadministrative Rate Reduction. For services rendered on or after July 1, 2010, to December 31, 2013, the commissioner shall reduce contract rates paid to managed care plans under Minnesota Statutes, sections 256B.69 and 256L.12, and to county-based purchasing plans under Minnesota Statutes, section 256B.692, by three percent of the contract rate attributable to nonadministrative services in effect on June 30, 2010. Notwithstanding any contrary provision in this article, this rider expires on December 31, 2013.

(c) Medical Assistance Basic Health Care Grants - Elderly and Disabled

-0- (30,265,000)

(d) ~~General Assistance Medical Care Grants~~

-0- ~~(75,389,000)~~

(e) Other Health Care Grants

-0- (7,000,000)

Cobra Carryforward. Unexpended funds appropriated in fiscal year 2010 for COBRA grants under Laws 2009, chapter 79, article 5, section 78, do not cancel and are available to the commissioner for fiscal year 2011 COBRA grant expenditures. Up to \$111,000 of the fiscal year 2011 appropriation for COBRA grants provided in Laws 2009, chapter 79, article 13, section 3, subdivision 6, may be used by the commissioner for

costs related to administration of the COBRA grants.

Sec. 6. Laws 2010, First Special Session chapter 1, article 25, section 3, subdivision 7, is amended to read:

Subd. 7. Health Care Management

(a) Health Care Administration

-0- 391,000 224,000

Fiscal Note Report. Of this appropriation, \$50,000 in fiscal year 2011 is for a transfer to the commissioner of Minnesota Management and Budget for the completion of the human services fiscal note report in article 5.

PACE Implementation Funding. For fiscal year 2011, \$145,000 is appropriated from the general fund to the commissioner of human services to complete the actuarial and administrative work necessary to begin the operation of PACE under Minnesota Statutes, section 256B.69, subdivision 23, paragraph (e). Base level funding for this activity shall be \$130,000 in fiscal year 2012 and \$0 in fiscal year 2013.

Minnesota Senior Health Options Reimbursement. Effective July 1, 2011, federal administrative reimbursement resulting from the Minnesota senior health options project is appropriated to the commissioner for this activity. Notwithstanding any contrary provision, this provision expires June 30, 2013.

Utilization Review. Effective July 1, 2011, federal administrative reimbursement resulting from prior authorization and inpatient admission certification by a professional review organization shall be dedicated to, and is appropriated to, the commissioner for these activities. A portion of these funds must be used for activities to decrease unnecessary pharmaceutical costs in medical assistance. Notwithstanding any contrary provision of this article, this paragraph expires June 30, 2013.

Certified Public Expenditures. (1) The entities named in Minnesota Statutes, section 256B.199, paragraph (b), clause (1), shall comply with the requirements of that statute by promptly reporting on a quarterly basis certified public expenditures that may qualify for federal matching funds. Reporting under this paragraph shall be voluntary from July 1, 2010, to December 31, 2010. Upon federal enactment of an extension to June 30, 2011, of the enhanced federal medical assistance percentage (FMAP) originally provided under Public Law 111-5, reporting under this paragraph shall also be voluntary from January 1, 2011, to June 30, 2011.

(2) To the extent that certified public expenditures reported in compliance with paragraph (1) earn federal matching payments that exceed \$8,079,000 in fiscal year 2012 and \$18,316,000 in fiscal year 2013, the excess amount shall be deposited in the health care access fund. For each fiscal year after fiscal year 2013, the commissioner shall forecast in November the amount of federal payments anticipated to match certified public expenditures reported in compliance with paragraph (a). Any federal match earned in a fiscal year in excess of the amount forecasted in November shall be deposited to the health care access fund.

(3) Notwithstanding any contrary provision of this article, this rider shall not expire.

Poverty Guidelines. Notwithstanding Minnesota Statutes, sections 256B.56, subdivision 1c; 256D.03, subdivision 3; or 256L.04, subdivision 7b, the poverty guidelines for medical assistance, general assistance medical care, and MinnesotaCare from July 1, 2010, through June 30, 2011, shall not be lower than the poverty guidelines issued by the Secretary of Health and Human Services on January 23, 2009. This section shall have no effect on the revision of poverty guidelines for the Minnesota health care programs that would be in effect starting on

July 1, 2011. This paragraph is effective the day following final enactment.

Base Adjustment. The general fund base is decreased by ~~\$222,000~~ \$55,000 in fiscal year 2012 and ~~\$352,000~~ \$185,000 in fiscal year 2013.

(b) **Health Care Operations**

Appropriations by Fund		
		186,000
General	-0-	<u>27,000</u>
		218,000
Health Care Access	-0-	<u>291,000</u>

The general fund appropriation is a onetime appropriation in fiscal year 2011.

Base Adjustment. The health care access fund base for health care operations is decreased by ~~\$812,000~~ \$280,000 in fiscal year 2012 and ~~\$944,000~~ \$274,000 in fiscal year 2013."

Renumber the sections in sequence

Amend the title accordingly

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

SECOND READING OF SENATE BILLS

S.F. Nos. 48 and 55 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senator Jungbauer introduced—

S.F. No. 110: A bill for an act relating to human services; establishing grant programs to promote healthy communities and the development of circles of support initiatives; appropriating money.

Referred to the Committee on Health and Human Services.

Senators Wiger, Marty and Chamberlain introduced–

S.F. No. 111: A bill for an act relating to capital investment; appropriating money for I-694 and White Bear Avenue Interchange; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Wiger, Marty and Chamberlain introduced–

S.F. No. 112: A bill for an act relating to capital investment; appropriating money for the I-694 and Rice Street Interchange; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Carlson, Rosen, Stumpf, Skoe and Magnus introduced–

S.F. No. 113: A bill for an act relating to energy; modifying definition used to calculate renewable energy standard obligation; amending Minnesota Statutes 2010, section 216B.1691, subdivision 1.

Referred to the Committee on Energy, Utilities and Telecommunications.

Senators Pederson, DeKruif, Lillie, Brown and Dahms introduced–

S.F. No. 114: A bill for an act relating to unemployment insurance; modifying certain eligibility and extension provisions; amending Minnesota Statutes 2010, section 268.085, subdivision 9.

Referred to the Committee on Jobs and Economic Growth.

Senator Senjem introduced–

S.F. No. 115: A bill for an act relating to state government; providing for local government impact notes; providing that certain rules take effect only upon legislative approval; proposing coding for new law in Minnesota Statutes, chapter 14.

Referred to the Committee on State Government Innovation and Veterans.

Senators Scheid, Limmer, Rest and Kruse introduced–

S.F. No. 116: A bill for an act relating to capital investment; appropriating money for North Hennepin Community College; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Chamberlain, Ortman and Lillie introduced–

S.F. No. 117: A bill for an act relating to taxation; corporate franchise tax; accelerating adoption of single sales apportionment; amending Minnesota Statutes 2010, section 290.191, subdivision 2.

Referred to the Committee on Taxes.

Senators Lourey, Bonoff and Tomassoni introduced–

S.F. No. 118: A bill for an act relating to unemployment insurance; modifying eligibility for children of business owners; amending Minnesota Statutes 2010, section 268.085, subdivision 9.

Referred to the Committee on Jobs and Economic Growth.

Senators Rosen, Lourey, Hann, Reinert and Higgins introduced–

S.F. No. 119: A bill for an act relating to human services; adding community paramedics to the list of community health workers; amending Minnesota Statutes 2010, section 256B.0625, subdivision 49.

Referred to the Committee on Health and Human Services.

Senators Miller, Senjem, Howe, Reinert and Cohen introduced–

S.F. No. 120: A bill for an act relating to capital investment; appropriating money for the port development assistance program; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Hall, Harrington, Gazelka, Marty and Ingebrigtsen introduced–

S.F. No. 121: A bill for an act relating to public safety; increasing penalties for injuring public safety dogs; amending Minnesota Statutes 2010, section 609.596.

Referred to the Committee on Judiciary and Public Safety.

Senators Reinert, Howe, Sieben, Miller and Lourey introduced–

S.F. No. 122: A bill for an act relating to taxation; requiring the Department of Revenue to conduct a study on income tax reciprocity with Wisconsin; requiring a report.

Referred to the Committee on Taxes.

Senators Dahms, Brown, Kubly, Rosen and Carlson introduced–

S.F. No. 123: A bill for an act relating to county agricultural societies; appropriating money from the arts and cultural heritage fund for grants to county agricultural societies.

Referred to the Committee on Agriculture and Rural Economies.

Senators Howe, Miller and Senjem introduced–

S.F. No. 124: A bill for an act relating to local government; providing for terms for members of the Red Wing Port Authority; amending Minnesota Statutes 2010, section 469.081, by adding a subdivision.

Referred to the Committee on Local Government and Elections.

Senators Carlson and Gazelka introduced–

S.F. No. 125: A bill for an act relating to financial institutions; authorizing a detached facility in Northern Township under certain conditions.

Referred to the Committee on Commerce and Consumer Protection.

Senator Hann introduced–

S.F. No. 126: A bill for an act relating to health insurance; requiring guaranteed issue in the individual market; requiring MCHA to reinsure ceded risk on certain health plans; ending additional enrollment in MCHA; amending Minnesota Statutes 2010, sections 62A.65, subdivision 2, by adding a subdivision; 62E.10, subdivision 7; 62E.11, subdivision 1; 62E.14, subdivision 1; repealing Minnesota Statutes 2010, section 62A.65, subdivision 6.

Referred to the Committee on Health and Human Services.

Senator Hann introduced–

S.F. No. 127: A bill for an act relating to health care; limiting increases to capitation rates for managed care plans and county-based purchasing plans.

Referred to the Committee on Health and Human Services.

Senators Vandever, Koch and Parry introduced–

S.F. No. 128: A bill for an act relating to veterans; appropriating money for a matching grant to be used for improvements at the Disabled Veterans Rest Camp on Big Marine Lake in Washington County.

Referred to the Committee on State Government Innovation and Veterans.

Senators Parry, Hoffman and Daley introduced–

S.F. No. 129: A bill for an act relating to the state budget; limiting general fund expenditures in the 2012-2013 biennium to forecasted revenues; specifying the use of any forecasted increases in revenues above the level of revenues forecasted for the 2010-2011 biennium.

Referred to the Committee on State Government Innovation and Veterans.

Senators Parry, Chamberlain and Daley introduced–

S.F. No. 130: A bill for an act relating to state government; proposing the Redundant Technology Elimination Act; consolidating state agency information technology systems and services; transferring duties to the Office of Enterprise Technology; appropriating money; amending Minnesota Statutes 2010, sections 16B.99; 16E.14, by adding a subdivision; 403.36, subdivisions 1, 1e, 1g; proposing coding for new law in Minnesota Statutes, chapter 16E; repealing Minnesota Statutes 2010, section 16B.99, subdivision 9.

Referred to the Committee on State Government Innovation and Veterans.

Senators Kubly, Skoe, Rosen and Marty introduced—

S.F. No. 131: A bill for an act relating to taxation; prohibiting sales of tax-forfeited lands to owners of certain property; requiring county auditors to file lists of delinquent real estate taxes; amending Minnesota Statutes 2010, section 282.016.

Referred to the Committee on Taxes.

Senator Fischbach introduced—

S.F. No. 132: A bill for an act relating to transportation; providing for use of certain funds for Paynesville airport.

Referred to the Committee on Transportation.

Senator Langseth introduced—

S.F. No. 133: A bill for an act relating to capital investment; appropriating money for a new veterans nursing home in Brainerd; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Robling and Parry introduced—

S.F. No. 134: A bill for an act relating to employment; modifying definition of public employee; amending Minnesota Statutes 2010, section 179A.03, subdivision 14.

Referred to the Committee on State Government Innovation and Veterans.

Senators Sheran, Parry, Senjem and Dahms introduced—

S.F. No. 135: A bill for an act relating to motor vehicles; authorizing special highway 14 plates; appropriating funds; proposing coding for new law in Minnesota Statutes, chapter 168.

Referred to the Committee on Transportation.

Senator Latz introduced—

S.F. No. 136: A bill for an act relating to real property; making clarifying, technical, and conforming changes to the Minnesota Common Interest Ownership Act; amending Minnesota Statutes 2010, sections 515B.1-102; 515B.1-103; 515B.1-116; 515B.2-109; 515B.2-110; 515B.2-121; 515B.2-124; 515B.3-102; 515B.3-104; 515B.3-105; 515B.3-114; 515B.3-115; 515B.4-102; 515B.4-115; proposing coding for new law in Minnesota Statutes, chapter 515B.

Referred to the Committee on Judiciary and Public Safety.

Senator Scheid introduced—

S.F. No. 137: A bill for an act relating to real property; clarifying deeds to correct title and certain acknowledgments; providing for cancellation of residential purchase agreements; clarifying

redemption period for foreclosure of certain mortgages; amending Minnesota Statutes 2010, sections 272.15; 358.50; 559.217, subdivisions 3, 4, 8; 580.23, subdivision 2.

Referred to the Committee on Judiciary and Public Safety.

Senators Carlson and Saxhaug introduced–

S.F. No. 138: A bill for an act relating to game and fish; requiring rulemaking to allow spearing on Cass Lake.

Referred to the Committee on Environment and Natural Resources.

Senator Lillie introduced–

S.F. No. 139: A bill for an act relating to residential construction; providing for lead poisoning prevention; modifying effective dates; amending Laws 2010, chapter 321, sections 1; 2; 3.

Referred to the Committee on Jobs and Economic Growth.

Senator Reinert introduced–

S.F. No. 140: A bill for an act relating to the legislature; proposing an amendment to the Minnesota Constitution, article IV, section 4; providing for temporary successors to members of the legislature called into active military service; providing for implementing statutory language; proposing coding for new law in Minnesota Statutes, chapter 3.

Referred to the Committee on State Government Innovation and Veterans.

Senators Nienow and Howe introduced–

S.F. No. 141: A bill for an act relating to unemployment insurance; modifying eligibility requirements; amending Minnesota Statutes 2010, section 268.085, subdivision 9.

Referred to the Committee on Jobs and Economic Growth.

Senator Wiger introduced–

S.F. No. 142: A bill for an act relating to taxation; removing a limitation on the duration of a tax exemption for homesteads of surviving spouses of disabled veterans; amending Minnesota Statutes 2010, section 273.13, subdivision 34.

Referred to the Committee on Taxes.

Senator Wiger introduced–

S.F. No. 143: A bill for an act relating to education; establishing high school assessments to determine college and career readiness; requiring reports; amending Minnesota Statutes 2010, section 120B.30, subdivision 1, by adding a subdivision.

Referred to the Committee on Education.

Senator Wiger introduced—

S.F. No. 144: A bill for an act relating to education; establishing an alternative teacher preparation program and limited term teacher license; amending teacher candidate assessments; amending Minnesota Statutes 2010, section 122A.09, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 122A.

Referred to the Committee on Education.

Senators Sieben and Metzen introduced—

S.F. No. 145: A bill for an act relating to capital investment; appropriating money for a grant to the city of South St. Paul to replace the floodwall pumping station; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Chamberlain, Gimse, Howe and Skoe introduced—

S.F. No. 146: A bill for an act relating to the state budget; creating priority-based budget process; establishing a sunset process for state agencies; appropriating money; amending Minnesota Statutes 2010, sections 3.885, by adding a subdivision; 3.97, by adding a subdivision; 3.971, by adding a subdivision; 16A.11, subdivisions 2, 3; proposing coding for new law in Minnesota Statutes, chapter 3.

Referred to the Committee on State Government Innovation and Veterans.

Senators Nienow, Dahms and Robling introduced—

S.F. No. 147: A bill for an act relating to agriculture; permitting certain sales of certain food products by farmers; amending Minnesota Statutes 2010, section 32.393, subdivision 1.

Referred to the Committee on Agriculture and Rural Economies.

Senator Nienow introduced—

S.F. No. 148: A bill for an act relating to education; repealing the January 15 deadline by which school districts must reach a collective bargaining agreement or face a state aid penalty; repealing Minnesota Statutes 2010, section 123B.05.

Referred to the Committee on Education.

MOTIONS AND RESOLUTIONS

Senator Michel moved that the name of Senator Metzen be added as a co-author to S.F. No. 1. The motion prevailed.

Senator Sieben moved that the name of Senator Sparks be added as a co-author to S.F. No. 7. The motion prevailed.

Senator Gazelka moved that the name of Senator Dahms be added as a co-author to S.F. No. 12. The motion prevailed.

Senator Carlson moved that the name of Senator Senjem be added as a co-author to S.F. No. 48. The motion prevailed.

Senator Jungbauer moved that the name of Senator Brown be added as a co-author to S.F. No. 63. The motion prevailed.

Senator Stumpf moved that the names of Senators Goodwin and Rest be added as co-authors to S.F. No. 84. The motion prevailed.

Senator Berglin moved that the name of Senator Rest be added as a co-author to S.F. No. 99. The motion prevailed.

Senator Bonoff introduced –

Senate Resolution No. 29: A Senate resolution proclaiming the third week of September as Mitochondrial Disease Awareness Week.

Referred to the Committee on Rules and Administration.

Senator Dahms introduced –

Senate Resolution No. 30: A Senate resolution recognizing Belview, Minnesota, as the Hot Air Ballooning Capital of Minnesota.

Referred to the Committee on Rules and Administration.

Senator Reinert introduced –

Senate Resolution No. 31: A Senate resolution congratulating 2010 MAPSS Soil Scientist of the Year Larissa Schmitt of Duluth.

Referred to the Committee on Rules and Administration.

Senator Koch introduced –

Senate Resolution No. 32: A Senate resolution congratulating Matthew Hilden of Otsego, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Koch introduced –

Senate Resolution No. 33: A Senate resolution congratulating Andrew Zipp of Saint Michael, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Koch introduced –

Senate Resolution No. 34: A Senate resolution congratulating Dan Wallerius of Albertville, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

RECESS

Senator Koch 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 Koch 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 Committee and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

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

Senator Koch from the Committee on Rules and Administration, to which was referred under Rule 21, together with the committee report thereon,

S.F. No. 60: A bill for an act relating to state government finance; making appropriation reductions for fiscal year 2011, policy changes, and appropriation reductions for fiscal years 2012 and 2013; making changes to tax aids and credits and reducing payments; amending Minnesota Statutes 2010, sections 256B.766; 270A.03, subdivision 7; 273.1384, subdivision 6; 289A.50, subdivision 1; 290.01, subdivision 6; 290A.03, subdivisions 11, 13; 290C.07; 477A.013, subdivision 9; 477A.03; Laws 2010, First Special Session chapter 1, article 5, sections 4; 5; proposing coding for new law in Minnesota Statutes, chapter 477A; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 290.06, subdivision 23.

Reports the same back with the recommendation that the report from the Committee on Finance shown in the Journal for January 27, 2011, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass". Amendments adopted. Report adopted.

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

under Rule 21, together with the committee report thereon,

S.F. No. 39: A bill for an act relating to waters; eliminating Mississippi River critical area; repealing Minnesota Statutes 2010, section 116G.15.

Reports the same back with the recommendation that the report from the Committee on Environment and Natural Resources shown in the Journal for January 27, 2011, be amended to read:

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

SECOND READING OF SENATE BILLS

S.F. No. 60 was read the second time.

MEMBERS EXCUSED

Senator Tomassoni was excused from the Session of today.

ADJOURNMENT

Senator Koch moved that the Senate do now adjourn until 11:00 a.m., Monday, January 31, 2011. The motion prevailed.

Cal R. Ludeman, Secretary of the Senate

