

## FIFTIETH DAY

St. Paul, Minnesota, Wednesday, April 29, 2015

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

## CALL OF THE SENATE

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

Prayer was offered by Senator Sandra L. Pappas, from Rev. Amanda Lunemann.

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	Eaton	Johnson	Osmek	Sieben
Bakk	Eken	Kent	Pappas	Skoe
Benson	Fischbach	Kiffmeyer	Pederson, J.	Sparks
Bonoff	Franzen	Koenen	Petersen, B.	Stumpf
Brown	Gazelka	Latz	Pratt	Thompson
Carlson	Goodwin	Limmer	Reinert	Tomassoni
Chamberlain	Hall	Lourey	Rest	Torres Ray
Champion	Hann	Marty	Rosen	Weber
Clausen	Hawj	Metzen	Ruud	Westrom
Cohen	Hayden	Miller	Saxhaug	Wiger
Dahle	Hoffman	Nelson	Scalze	Wiklund
Dahms	Housley	Newman	Schmit	
Dibble	Ingebrigtsen	Nienow	Senjem	
Dziedzic	Jensen	Ortman	Sheran	

The President declared a quorum present.

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

## MESSAGES FROM THE HOUSE

Madam President:

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

**S.F. No. 878:** A bill for an act relating to criminal justice; lowering the penalty for the performance of acts prohibited by statutes for which no penalty is specified; regulating the possession and purchase of firearms, ammunition, and suppressors; prohibiting a bondsman or

bail enforcement agent from wearing uniform or driving vehicle the color of law enforcement; regulating the use of unmanned aerial vehicles by law enforcement agencies; requiring outside law enforcement agencies to investigate peace officer-involved incidents; addressing numerous issues relating to juveniles including diversion, use of restraints, and sentencing; modifying forfeiture laws and how proceeds from the sale of forfeited property are used, what reports are required, and how policies are adopted; establishing the burden of production on the innocent owner claimant and the burden of proof on the prosecutor in an innocent owner forfeiture case involving DWI, designated offenses, controlled substance offenses, fleeing offenses, and prostitution offenses; expanding the homestead exemption in forfeiture cases; restoring the civil right to vote of an individual upon release from incarceration and requiring notice; repealing county attorney obligation to promptly investigate voter registration and eligibility; amending Minnesota Statutes 2014, sections 6.74; 84.7741, subdivision 10; 97A.421, by adding a subdivision; 169.98, by adding a subdivision; 169A.60, subdivision 1; 169A.63, subdivisions 1, 7, 9, 10; 201.014, by adding a subdivision; 201.071, subdivision 1; 201.12, subdivisions 2, 3; 201.13, subdivision 3; 201.14; 201.157; 204C.08, subdivision 1d; 204C.10; 244.05, subdivisions 4, 5; 260B.001, subdivision 2; 260B.125, by adding a subdivision; 260B.130, subdivision 4; 609.02, by adding a subdivision; 609.106, subdivision 2, by adding a subdivision; 609.11, subdivision 9; 609.165; 609.3455, subdivision 2; 609.531, subdivisions 1, 8, by adding subdivisions; 609.5311, subdivision 3; 609.5312, subdivisions 2, 3, 4; 609.5315, subdivisions 1, 6; 609.5318, subdivision 5; 609.66, subdivisions 1a, 1g; 624.71; 624.712, by adding a subdivision; 624.713, subdivisions 1, 1a, 2, 3, 4; 624.714, subdivision 16; 624.715; 626.88; 645.241; proposing coding for new law in Minnesota Statutes, chapters 5B; 201; 243; 260B; 624; 626; repealing Minnesota Statutes 2014, sections 97B.031, subdivision 4; 201.155; 201.275; 609.66, subdivision 1h.

Senate File No. 878 is herewith returned to the Senate.

Patrick D. Murphy, Chief Clerk, House of Representatives

Returned April 28, 2015

Senator Bakk, for Senator Latz, moved that the Senate do not concur in the amendments by the House to S.F. No. 878, and that a Conference Committee of 5 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Madam President:

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

**S.F. No. 1458:** A bill for an act relating to state government; establishing the health and human services budget; modifying provisions governing children and family services, chemical and mental health services, withdrawal management programs, direct care and treatment, health care, continuing care, Department of Health programs, health care delivery, health licensing boards, and MNsure; making changes to medical assistance, general assistance, MFIP, Northstar Care for Children, MinnesotaCare, child care assistance, and group residential housing programs; establishing uniform requirements for public assistance programs related to income calculation, reporting income, and correcting overpayments and underpayments; creating the Department

of MNsure; modifying requirements for reporting maltreatment of minors; establishing the Minnesota ABLE plan and accounts; modifying child support provisions; establishing standards for withdrawal management programs; modifying requirements for background studies; making changes to provisions governing the health information exchange; authorizing rulemaking; requiring reports; making technical changes; modifying certain fees for Department of Health programs; modifying fees of certain health-related licensing boards; making human services forecast adjustments; appropriating money; amending Minnesota Statutes 2014, sections 13.3806, subdivision 4; 13.46, subdivisions 2, 7; 13.461, by adding a subdivision; 15.01; 15A.0815, subdivision 2; 16A.724, subdivision 2; 43A.241; 62A.02, subdivision 2; 62A.045; 62J.497, subdivisions 1, 3, 4, 5; 62J.498; 62J.4981; 62J.4982, subdivisions 4, 5; 62J.692, subdivision 4; 62M.01, subdivision 2; 62M.02, subdivisions 12, 14, 15, 17, by adding subdivisions; 62M.05, subdivisions 3a, 3b, 4; 62M.06, subdivisions 2, 3; 62M.07; 62M.09, subdivision 3; 62M.10, subdivision 7; 62M.11; 62Q.02; 62U.02, subdivisions 1, 2, 3, 4; 62U.04, subdivision 11; 62V.02, subdivisions 2, 11, by adding a subdivision; 62V.03; 62V.05; 62V.06; 62V.07; 62V.08; 119B.011, subdivision 15; 119B.025, subdivision 1; 119B.035, subdivision 4; 119B.07; 119B.09, subdivision 4; 119B.10, subdivision 1; 119B.11, subdivision 2a; 119B.125, by adding a subdivision; 144.057, subdivision 1; 144.1501, subdivisions 1, 2, 3, 4; 144.215, by adding a subdivision; 144.225, subdivision 4; 144.291, subdivision 2; 144.293, subdivisions 6, 8; 144.298, subdivisions 2, 3; 144.3831, subdivision 1; 144.9501, subdivisions 6d, 22b, 26b, by adding subdivisions; 144.9505; 144.9508; 144A.70, subdivision 6, by adding a subdivision; 144A.71; 144A.72; 144A.73; 144D.01, by adding a subdivision; 144E.001, by adding a subdivision; 144E.275, subdivision 1, by adding a subdivision; 144E.50; 144F.01, subdivision 5; 145.928, by adding a subdivision; 145A.131, subdivision 1; 148.57, subdivisions 1, 2; 148.59; 148E.075; 148E.080, subdivisions 1, 2; 148E.180, subdivisions 2, 5; 149A.20, subdivisions 5, 6; 149A.40, subdivision 11; 149A.65; 149A.92, subdivision 1; 149A.97, subdivision 7; 150A.091, subdivisions 4, 5, 11, by adding subdivisions; 150A.31; 151.065, subdivisions 1, 2, 3, 4; 151.58, subdivisions 2, 5; 157.16; 169.686, subdivision 3; 174.29, subdivision 1; 174.30, subdivisions 3, 4, by adding subdivisions; 245.4661, subdivisions 5, 6, by adding subdivisions; 245.467, subdivision 6; 245.469, by adding a subdivision; 245.4876, subdivision 7; 245.4889, subdivision 1, by adding a subdivision; 245C.03, by adding a subdivision; 245C.08, subdivision 1; 245C.10, by adding subdivisions; 245C.12; 246.18, subdivision 8; 246.54, subdivision 1; 246B.01, subdivision 2b; 246B.10; 253B.18, subdivisions 4c, 5; 254B.05, subdivision 5; 254B.12, subdivision 2; 256.01, by adding subdivisions; 256.015, subdivision 7; 256.017, subdivision 1; 256.478; 256.741, subdivisions 1, 2; 256.962, subdivision 5, by adding a subdivision; 256.969, subdivisions 1, 2b, 3a, 3c, 9; 256.975, subdivision 8; 256B.056, subdivision 5c; 256B.057, subdivision 9; 256B.059, subdivision 5; 256B.06, by adding a subdivision; 256B.0615, subdivision 3; 256B.0622, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10, by adding a subdivision; 256B.0624, subdivision 7; 256B.0625, subdivisions 3b, 9, 13, 13e, 13h, 14, 17, 17a, 18a, 18e, 31, 48, 57, 58, by adding subdivisions; 256B.0631; 256B.072; 256B.0757; 256B.0916, subdivisions 2, 11, by adding a subdivision; 256B.441, by adding a subdivision; 256B.49, subdivision 26, by adding a subdivision; 256B.4913, subdivisions 4a, 5; 256B.4914, subdivisions 2, 8, 10, 14, 15; 256B.69, subdivisions 5a, 5i, 6, 9c, 9d, by adding a subdivision; 256B.75; 256B.76, subdivisions 2, 4, 7; 256B.767; 256D.01, subdivision 1a; 256D.02, subdivision 8, by adding subdivisions; 256D.06, subdivision 1; 256D.405, subdivision 3; 256E.35, subdivision 2, by adding a subdivision; 256I.03, subdivisions 3, 7, by adding subdivisions; 256I.04; 256I.05, subdivisions 1c, 1g; 256I.06, subdivisions 2, 6, 7, 8; 256J.08, subdivisions 26, 86; 256J.24, subdivisions 5, 5a; 256J.30, subdivisions 1, 9; 256J.35; 256J.40; 256J.95, subdivision 19; 256K.45, subdivisions 1a, 6; 256L.01, subdivisions 3a, 5; 256L.03, subdivision 5; 256L.04,

subdivisions 1a, 1c, 7b; 256L.05, subdivisions 3, 3a, 4, by adding a subdivision; 256L.06, subdivision 3; 256L.11, by adding a subdivision; 256L.121, subdivision 1; 256L.15, subdivision 2; 256N.22, subdivisions 9, 10; 256N.24, subdivision 4; 256N.25, subdivision 1; 256N.27, subdivision 2; 256P.001; 256P.01, subdivision 3, by adding subdivisions; 256P.02, by adding a subdivision; 256P.03, subdivision 1; 256P.04, subdivisions 1, 4; 256P.05, subdivision 1; 257.0755, subdivisions 1, 2; 257.0761, subdivision 1; 257.0766, subdivision 1; 257.0769, subdivision 1; 257.75, subdivisions 3, 5; 259A.75; 260C.007, subdivisions 27, 32; 260C.203; 260C.212, subdivision 1, by adding subdivisions; 260C.221; 260C.331, subdivision 1; 260C.451, subdivisions 2, 6; 260C.515, subdivision 5; 260C.521, subdivisions 1, 2; 260C.607, subdivision 4; 282.241, subdivision 1; 290.0671, subdivision 6; 297A.70, subdivision 7; 514.73; 514.981, subdivision 2; 518A.26, subdivision 14; 518A.32, subdivision 2; 518A.39, subdivision 1, by adding a subdivision; 518A.41, subdivisions 1, 3, 4, 14, 15; 518A.43, by adding a subdivision; 518A.46, subdivision 3, by adding a subdivision; 518A.51; 518A.53, subdivisions 1, 4, 10; 518A.60; 518C.802; 580.032, subdivision 1; 626.556, subdivisions 1, as amended, 2, 3, 6a, 7, as amended, 10, 10e, 10j, 10m, 11c, by adding subdivisions; Laws 2008, chapter 363, article 18, section 3, subdivision 5; Laws 2013, chapter 108, article 14, section 12, as amended; Laws 2014, chapter 189, sections 5; 10; 11; 16; 17; 18; 19; 23; 24; 27; 28; 29; 31; 43; 50; 51; 73; Laws 2014, chapter 312, article 24, section 45, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 15; 62A; 62M; 62Q; 62V; 144; 144D; 245; 246B; 256B; 256E; 256M; 256P; 518A; proposing coding for new law as Minnesota Statutes, chapters 245F; 256Q; repealing Minnesota Statutes 2014, sections 62V.04; 62V.09; 62V.11; 144E.52; 148E.060, subdivision 12; 256.969, subdivisions 23, 30; 256B.69, subdivision 32; 256D.0513; 256D.06, subdivision 8; 256D.09, subdivision 6; 256D.49; 256J.38; 256L.02, subdivision 3; 256L.05, subdivisions 1b, 1c, 3c, 5; 256L.11, subdivision 7; 257.0768; 290.0671, subdivision 6a; Minnesota Rules, parts 3400.0170, subparts 5, 6, 12, 13; 8840.5900, subparts 12, 14.

Senate File No. 1458 is herewith returned to the Senate.

Patrick D. Murphy, Chief Clerk, House of Representatives

Returned April 28, 2015

Senator Lourey moved that the Senate do not concur in the amendments by the House to S.F. No. 1458, and that a Conference Committee of 5 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

### REPORTS OF COMMITTEES

Senator Bakk moved that the Committee Report at the Desk be now adopted. The motion prevailed.

#### **Senator Skoe from the Committee on Taxes, to which was referred**

**S.F. No. 826:** A bill for an act relating to taxation; providing for tax reductions to middle class families; closing loopholes; providing tax fairness; appropriating money; amending Minnesota Statutes 2014, sections 16D.08, subdivision 2; 270.80, subdivisions 1, 2, 3, 4, by adding subdivisions; 270.81, subdivisions 1, 3, by adding a subdivision; 270.82; 270.83, subdivisions 1, 2; 270.84; 270.86; 270.87; 270C.03, subdivision 1; 270C.33, subdivision 6; 272.02, subdivision 9;

275.025, subdivisions 1, 4; 289A.60, by adding a subdivision; 290.01, subdivision 4a, by adding a subdivision; 290.067, subdivisions 1, 2, 2b, 3; 290.0671, subdivision 1; 290.0674, subdivision 2, by adding a subdivision; 290.068, subdivision 2; 290.17, subdivision 4; 290.191, subdivision 5; 290.21, subdivision 4; 290A.03, subdivision 13; 290B.03, subdivision 1; 290B.04, subdivision 1; 291.03, by adding a subdivision; 296A.01, subdivision 12; 296A.08, subdivision 2; 297A.815, subdivision 3; 297A.94; 297H.04, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 270C; repealing Minnesota Statutes 2014, sections 270.81, subdivision 4; 270.83, subdivision 3; 290.067, subdivision 2a; Minnesota Rules, parts 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, 21; 8106.0300, subparts 1, 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; 8106.9900.

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

Delete everything after the enacting clause and insert:

## "ARTICLE 1

### INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2014, section 16D.08, subdivision 2, is amended to read:

Subd. 2. **Powers.** (a) In addition to the collection remedies available to private collection agencies in this state, the commissioner, with legal assistance from the attorney general, may utilize any statutory authority granted to a referring agency for purposes of collecting debt owed to that referring agency. The commissioner may also use the tax collection remedies in sections 270C.03, subdivision 1, clause ~~(8)~~ (9), 270C.31, 270C.32, 270C.52, subdivisions 2 and 3, 270C.63, 270C.65, and 270C.67 to 270C.72. A debtor may take advantage of any administrative or appeal rights contained in the listed sections. For administrative and appeal rights for nontax debts, references to administrative appeals or to the taxpayer rights advocate shall be construed to be references to the case reviewer, references to Tax Court shall be construed to mean district court, and offers in compromise shall be submitted to the referring agency. A debtor who qualifies for cancellation of collection costs under section 16D.11, subdivision 3, clause (1), can apply to the commissioner for reduction or release of a continuous wage levy, if the debtor establishes that the debtor needs all or a portion of the wages being levied upon to pay for essential living expenses, such as food, clothing, shelter, medical care, or expenses necessary for maintaining employment. The commissioner's determination not to reduce or release a continuous wage levy is appealable to district court. The word "tax" or "taxes" when used in the tax collection statutes listed in this subdivision also means debts referred under this chapter.

(b) Before using the tax collection remedies listed in this subdivision, notice and demand for payment of the amount due must be given to the person liable for the payment or collection of the debt at least 30 days prior to the use of the remedies. The notice must be sent to the person's last known address and must include a brief statement that sets forth in simple and nontechnical terms the amount and source of the debt, the nature of the available collection remedies, and remedies available to the debtor.

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

Sec. 2. Minnesota Statutes 2014, section 136A.129, subdivision 3, is amended to read:

Subd. 3. **Program components.** (a) An intern must be an eligible student who has been admitted to a major program that is related to the intern experience as determined by the eligible institution.

(b) To participate in the program, an eligible institution must:

(1) enter into written agreements with eligible employers to provide internships that are at least eight weeks long and located in greater Minnesota; and

(2) provide academic credit for the successful completion of the internship or ensure that it fulfills requirements necessary to complete a vocational technical education program.

(c) To participate in the program, an eligible employer must enter into a written agreement with an eligible institution specifying that the intern:

~~(1) would not have been hired without the tax credit described in subdivision 4;~~

~~(2) did not work for the employer in the same or a similar job prior to entering the agreement;~~

~~(3) (2) does not replace an existing employee;~~

~~(4) (3) has not previously participated in the program;~~

~~(5) (4) will be employed at a location in greater Minnesota;~~

~~(6) (5) will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least eight weeks; and~~

~~(7) (6) will be supervised and evaluated by the employer.~~

(d) The written agreement between the eligible institution and the eligible employer must certify a credit amount to the employer, not to exceed \$2,000 per intern. The total dollar amount of credits that an eligible institution certifies to eligible employers in a calendar year may not exceed the amount of its allocation under subdivision 4.

(e) Participating eligible institutions and eligible employers must report annually to the office. The report must include at least the following:

(1) the number of interns hired;

(2) the number of hours and weeks worked by interns; and

(3) the compensation paid to interns.

~~(f) An internship required to complete an academic program does not qualify for the greater Minnesota internship program under this section.~~

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 3. Minnesota Statutes 2014, section 270C.03, subdivision 1, is amended to read:

Subdivision 1. **Powers and duties.** The commissioner shall have and exercise the following powers and duties:

(1) administer and enforce the assessment and collection of taxes;

(2) make determinations, corrections, and assessments with respect to taxes, including interest, additions to taxes, and assessable penalties;

(3) disallow the tax effects of a transaction governed under chapter 290 that does not have economic substance;

~~(3)~~ (4) use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments;

(4) (5) investigate the tax laws of other states and countries, and formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of state revenue laws and to secure just and equal taxation and improvement in the system of state revenue laws;

~~(5)~~ (6) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

~~(6)~~ (7) execute and administer any agreement with the secretary of the treasury or the Bureau of Alcohol, Tobacco, Firearms and Explosives in the Department of Justice of the United States or a representative of another state regarding the exchange of information and administration of the state revenue laws;

~~(7)~~ (8) require town, city, county, and other public officers to report information as to the collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe;

~~(8)~~ (9) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority;

~~(9)~~ (10) authorize the participation in audits performed by the Multistate Tax Commission. For the purposes of chapter 270B, the Multistate Tax Commission will be considered to be a state for the purposes of auditing corporate sales, excise, and income tax returns;

~~(10)~~ (11) maintain toll-free telephone access for taxpayer assistance for calls from locations within the state; and

~~(11)~~ (12) exercise other powers and authority and perform other duties required of or imposed upon the commissioner by law.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015.

#### Sec. 4. [270C.331] ECONOMIC SUBSTANCE.

Subdivision 1. **Economic substance.** (a) For the purposes of disallowing the tax effects of a transaction that does not have substance pursuant to section 270C.03, subdivision 1, clause (3), a transaction shall be treated as having economic substance only if:

(1) the transaction changes in a meaningful way, apart from tax effects, the taxpayer's economic position; and

(2) the taxpayer has a substantial purpose, apart from tax effects, for entering into the transaction.

(b) In determining whether the requirements of paragraph (a), clauses (1) and (2), are met, the potential for profit of a transaction shall be taken into account only if the present value of the reasonable expected pretax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction was respected. Fees and other transaction expenses shall be taken into account as expenses in determining pretax profit.

(c) For the purposes of paragraph (a), clause (2), achieving a financial accounting benefit shall not be taken into account as a purpose for entering into a transaction if the origin of such financial accounting benefit is a reduction of federal, state, or local tax.

Subd. 2. **Apart from tax effects.** For purposes of this section, "apart from tax effects" means without regard to the state and local tax effects arising from the application of the laws of any state or local unit of government to the form of the transaction, the federal tax effects, or both.

Subd. 3. **Transaction.** For purposes of this section and section 270C.03, subdivision 1, clause (3), "transaction" includes a series of transactions.

Subd. 4. **Personal transactions of individuals.** In the case of an individual, subdivision 1 shall only apply to transactions entered into in connection with the trade or business activity engaged in for the production of income.

Subd. 5. **Commissioner to issue guidance.** (a) The commissioner shall promulgate guidance on how the provisions of this section will be applied. The guidance must include, at a minimum, types of transactions that will not be challenged as not having economic substance, and types of transactions that would be challenged as not having economic substance.

(b) The commissioner shall promulgate rules setting forth how the requirements of subdivision 1, paragraphs (a) and (b), would be determined, including definitions of relevant terms used in this section that the commissioner would apply in determining whether a transaction has economic substance.

(c) The commissioner shall establish and publish a formal departmental procedure for uniform application of this section.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015, except that subdivision 5 is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2014, section 289A.02, subdivision 7, as amended by Laws 2015, chapter 1, section 1, 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 ~~December 31, 2014~~ April 1, 2015.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 6. Minnesota Statutes 2014, section 290.01, subdivision 4a, is amended to read:

Subd. 4a. **Financial institution.** (a) "Financial institution" means:

(1) a holding company any corporation or other business entity registered (i) under state law as a bank holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended; or (iii) as a savings and loan holding company under the federal National Housing Act, as amended;

(2) any regulated financial corporation; or a national bank organized and existing as a national bank association pursuant to the provisions of United States Code, title 12, chapter 2;

(3) any other corporation organized under the laws of the United States or organized under the laws of this state or any other state or country that is carrying on the business of a financial institution: a savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1);

(4) any bank or thrift institution incorporated or organized under the laws of any state;

(5) any corporation organized under United States Code, title 12, sections 611 to 631;

(6) any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101;

(7) any corporation or other business entity that is more than 50 percent owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 297I;

(8) a corporation or other business entity that derives more than 50 percent of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" is the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction which is the functional equivalent of an extension of credit, and that transfers substantially all of the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles; or

(9) any other person or business entity, other than an insurance company taxable under chapter 297I, which derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6), or (8), is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

(b) "Holding company" means any corporation registered under the Federal Bank Holding Company Act of 1956, as amended, or registered as a savings and loan holding company under the Federal National Housing Act, as amended, or a federal savings bank holding company. The commissioner is authorized to exclude any person from the application of paragraph (a), clause (9), if the person proves by clear and convincing evidence that the person's income-producing activity is not in substantial competition with any person described in paragraph (a), clauses (2) to (6), or (8).

(c) "Regulated financial corporation" means an institution, the deposits or accounts of which are insured under the Federal Deposit Insurance Act or by the Federal Savings and Loan Insurance Corporation, any institution which is a member of a Federal Home Loan Bank, any other bank or thrift institution incorporated or organized under the laws of any state or any foreign country which is engaged in the business of receiving deposits, any corporation organized under the provisions

of United States Code, title 12, sections 611 to 631 (Edge Act Corporations), and any agency of a foreign depository as defined in United States Code, title 12, section 3101.

(d) "Business of a financial institution" means:

(1) the business that any corporation organized under the authority of the United States or organized under the laws of this state or any other state or country does or has authority to do which is substantially similar to the business which a corporation may be created to do under chapters 46 to 55 or any business which a corporation is authorized to do by those laws; or

(2) the business that any corporation organized under the authority of the United States or organized under the laws of this state or any other state or country does or has authority to do if the corporation derives more than 50 percent of its gross income from lending activities (including discounting obligations) in substantial competition with the businesses described in clause (1). For purposes of this clause, the computation of the gross income of a corporation does not include income from nonrecurring, extraordinary items.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 7. Minnesota Statutes 2014, section 290.01, subdivision 7, is amended to read:

Subd. 7. **Resident.** (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.

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

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

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state, except that a day spent in Minnesota for the primary purpose of receiving medical treatment by the taxpayer, or the spouse, child, or parent of the taxpayer, is not treated as a day spent in Minnesota. "Medical treatment" means treatment as defined in section 213(d)(1)(A) of the Internal Revenue Code.

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

(c) In determining where an individual is domiciled, neither the commissioner nor any court shall consider:

(1) charitable contributions made by an the individual within or without the state in determining if the individual is domiciled in Minnesota;

- (2) the location of the individual's attorney, certified public accountant, or financial advisor; or
- (3) the place of business of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account.

(d) For purposes of this subdivision, the following terms have the meanings given them:

(1) "financial advisor" means an individual, financial institution, or other firm engaged in the business of providing services related to trust and estate administration; financial advice and budgeting; investment selection or allocation; or purchase of life, disability, long-term care, annuities, or similar insurance products; and includes certified financial planners, registered investment advisors, securities broker-dealers, associated persons and representatives of registered investment advisors and securities broker-dealers, agents licensed to sell life insurance or annuities, and similar regulated products; and

(2) "financial institution" means a financial institution as that term is defined in section 47.015, subdivision 1, a state or nationally chartered credit union, and a registered broker-dealer under the Securities and Exchange Act of 1934.

**EFFECTIVE DATE.** Changes to paragraph (b) are effective for taxable years beginning after December 31, 2014. Changes to paragraphs (c) and (d) are effective the day following final enactment, except that they do not apply to any case for which an appeal, petition, or complaint has been filed in tax court or district court on or after April 28, 2015.

Sec. 8. Minnesota Statutes 2014, section 290.01, subdivision 19, as amended by Laws 2015, chapter 1, section 2, 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 ~~December 31, 2014~~ April 1, 2015, shall be in effect for taxable years beginning after December 31, 1996.

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, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

Sec. 9. Minnesota Statutes 2014, section 290.01, is amended by adding a subdivision to read:

**Subd. 19i. Accelerated recognition of certain installment sale gains.** (a) For the purposes of this subdivision, the following definitions apply:

(1) "realized" means realized as defined by section 1001(b) of the Internal Revenue Code;

(2) "installment sale" means any installment sale under section 453 of the Internal Revenue Code, and any other sale which is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code, which allows taxpayers to delay reporting or recognition of a realized gain until a future year; and

(3) "allocable amount" means the full amount to be apportioned to Minnesota under section 290.191, or the full amount to be assigned under section 290.17.

(b) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, net income includes the allocable amount realized upon a sale of the assets of, or the sale of any interest in, an S corporation or partnership which operated in Minnesota during the taxable year of sale, including any income or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(c) An individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain not recognized in a prior year on the individual's final Minnesota resident tax return.

(d) Notwithstanding paragraphs (b) and (c), taxpayers may elect to defer the recognition of installment sale gains by making an election under this paragraph. The election must be filed on a form prescribed by the commissioner and must be filed by the due date of the individual tax return, including any extension. Electing taxpayers are required to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sale are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were incurred in the year of sale under section 290.191 or 290.17; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(e) Income or gain recognized for Minnesota purposes under paragraphs (b) and (c) and subjected to tax, is excluded from net income in future years.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 10. Minnesota Statutes 2014, section 290.01, subdivision 31, as amended by Laws 2015, chapter 1, section 3, 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 ~~December 31, 2014~~ April 1, 2015. 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. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

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

Sec. 11. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 37. **Refundable film production credit.** (a) A taxpayer is allowed a credit against the taxes due under this chapter equal to 25 percent of film production and postproduction expenditures made in Minnesota that are directly attributable to film production in Minnesota.

(b) For purposes of this subdivision, "film" has the meaning given in section 116U.26.

(c) Expenditures that qualify for the credit under this subdivision must be "production costs" as that term is defined in section 116U.26 and must be subject to taxation in Minnesota.

(d) If the amount of the credit under this subdivision exceeds the taxpayer's tax liability under this chapter for the taxable year, the amount of the excess must be refunded to the taxpayer. The amount necessary to pay the refunds under this subdivision is appropriated annually from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015.

Sec. 12. Minnesota Statutes 2014, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 2.10 percent of the first \$6,180 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted gross income, whichever is greater, in excess of \$8,130, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first \$11,120 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted gross income, whichever is greater, in excess of \$21,190, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals 11 percent of the first \$18,240 of earned income. The credit is reduced by 10.82 percent of earned income or adjusted gross income, whichever is greater, in excess of \$25,130, but in no case is the credit less than zero.

(e) For a ~~nonresident~~ or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, and for tax years beginning after December 31, 2017, the \$8,130 in paragraph (b), the \$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h)(1) For tax years beginning after December 31, 2012, and before January 1, 2014, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are increased by \$5,340 for married taxpayers filing joint returns; and (2) for tax years beginning after December 31, 2013, and before January 1, 2018, the \$8,130 in paragraph (b), the \$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, and for tax years beginning after December 31, 2013, and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(i) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 13. Minnesota Statutes 2014, section 290.0671, subdivision 6a, is amended to read:

Subd. 6a. **TANF appropriation for working family credit expansion.** (a) On an annual basis the commissioner of revenue, with the assistance of the commissioner of human services, shall calculate the value of the refundable portion of the Minnesota Working Family Credit provided under this section that qualifies for payment with funds from the federal Temporary Assistance for Needy Families (TANF) block grant. Of this total amount, the commissioner of revenue shall estimate the portion entailed by the expansion of the credit rates provided in Laws 2000, chapter 490, article 4, section 17, for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12.

(b) An amount sufficient to pay the refunds entailed by the expansion of the credit rates provided in Laws 2000, chapter 490, article 4, section 17, for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12, as estimated in paragraph (a), is appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds, for transfer to the commissioner of revenue for deposit in the general fund.

**EFFECTIVE DATE.** This section is effective only for transfers in fiscal year 2015.

Sec. 14. Minnesota Statutes 2014, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten preschool through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in preschool, elementary, and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a qualifying child attending ~~an~~ a preschool, elementary, or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code who is at least four years old when the expenses are incurred. "Preschool" means the Head Start program under section 119A.50 or a school district prekindergarten program.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 15. Minnesota Statutes 2014, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~\$33,500~~ \$45,000, the maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying children in ~~kindergarten~~ preschool through grade 12 in the family. The maximum credit for families with one qualifying child in ~~kindergarten~~ preschool through grade 12 is reduced by \$1 for each \$4 of household income over ~~\$33,500~~ \$45,000, and the maximum credit for families with two or more qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of household income over ~~\$33,500~~ \$45,000, but in no case is the credit less than zero.

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

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 16. Minnesota Statutes 2014, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** ~~Subject to the requirements in subdivision 8, a corporation, partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725 are~~ individual, trust, or estate is allowed a credit against the tax computed under this chapter for the taxable year equal to:

- (a) ten percent of the first \$2,000,000 of the excess (if any) of
  - (1) the qualified research expenses for the taxable year, over
  - (2) the base amount; and

(b) 2.5 percent on all of such excess expenses over \$2,000,000.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 17. Minnesota Statutes 2014, section 290.068, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses (a) and (b) shall apply. If there are inadequate records or the records are unavailable to compute or verify the base percentage, a fixed base percentage of 16 percent must be used.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 18. Minnesota Statutes 2014, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a) Except as provided in subdivision 6a, paragraph (b), the credit for a taxable year beginning before January 1, 2010, and after December 31, 2012, shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, on all of the entities required to be included on the combined report of the unitary business. If the amount of the credit allowed exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group for the taxable year, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

(b) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph (a) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(c) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraph (a) or (b), including amounts allowed as a refund under subdivision 6a, paragraph (b), or allocated to other members of the unitary group, the excess shall be a research

credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 19. Minnesota Statutes 2014, section 290.068, subdivision 6a, is amended to read:

Subd. 6a. **Credit to be refundable.** (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess amount. The credit allowed for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, must be used before any research credit earned under subdivision 3.

(b) If the first \$15,000 of the credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2014, exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess amount. The \$15,000 limit must be applied at the corporation, partnership, or other entity level, including sole proprietorships. The credit allowed for qualified research expenses incurred in taxable years beginning before January 1, 2015, must be used before any research credit earned under subdivision 3.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 20. Minnesota Statutes 2014, section 290.068, is amended by adding a subdivision to read:

Subd. 8. **Application and certification requirement for sole proprietors.** (a) A taxpayer who is a sole proprietor claiming a credit under this section must submit an application to the commissioner for determination that the expenses for which the credit is claimed are qualified research expenses. The application must be submitted by September 15 of the calendar year following the taxable year in which the qualified research expenses were incurred. The application must be in a form and manner prescribed by the commissioner and must contain information sufficient to verify that the expenses for which the credit is claimed under this section are qualified research expenses.

(b) The commissioner must notify the sole proprietor of the determination of the application under paragraph (a) no later than 60 days after the application is received.

(c) Upon approving an application for credit under paragraph (a), the commissioner must issue a credit certificate to the sole proprietor that verifies eligibility for the credit and states the amount of credit and the taxable year to which the credit applies.

(d) The sole proprietor must claim the credit under this section in the return for the taxable year immediately following the taxable year to which the credit applies. The return must contain a copy of the credit certificate issued under paragraph (c).

(e) A credit must not be issued under this section unless the commissioner has received the certification required under paragraph (c).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 21. **[290.0693] MINNESOTA COLLEGE SAVINGS PLAN CREDIT.**

**Subdivision 1. Definitions.** For purposes of this section, the terms "Minnesota college savings plan," "account," "nonqualified distribution," and "plan administrator" have the meanings given them in chapter 136G.

**Subd. 2. Credit allowed.** (a) A credit of up to \$500 is allowed against the tax imposed by this chapter, subject to the limitations in paragraph (b).

(b) The credit allowed must be calculated by applying the following rates to the amount contributed to a Minnesota college savings plan, as established in chapter 136G, in a taxable year:

(1) 200 percent for individual filers and married couples filing a joint return who have federal adjusted gross income of not more than 150 percent of the federal poverty guideline for a household size of four;

(2) 100 percent for individual filers and married couples filing a joint return who have federal adjusted gross income over 150 percent, but not more than 200 percent of the federal poverty guideline for a household size of four;

(3) 50 percent for individual filers who have federal adjusted gross income over 200 percent of the federal poverty guideline for a household size of four, but not more than \$80,000; and

(4) 50 percent for married couples filing a joint return who have federal adjusted gross income over 200 percent of the federal poverty guideline for a household size of four, except that the credit is reduced by \$1 for every \$160 over \$80,000 in federal adjusted gross income.

(c) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(d) The \$80,000 in paragraph (b), clauses (3) and (4), used to calculate the credit and phaseout must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" shall be substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act including section 14.386.

**Subd. 3. Credit transfer.** (a) The credit allowed under this section must be calculated after applying all other credits to the taxpayer's tax liability. If the amount of credit that the taxpayer is eligible to receive under this section exceeds the taxpayer's tax liability after applying all other credits, the commissioner shall transfer the excess amount pursuant to the requirements of paragraph (b).

(b) The commissioner shall transfer the excess amount calculated under paragraph (a) to the plan administrator to be deposited to the taxpayer's Minnesota college savings plan account. If the taxpayer made contributions to more than one account, the credit amount must be allocated based on the contributions to each account as a percentage of the total contributions to all accounts.

Subd. 4. **Verification of contribution amounts.** The commissioner of the Office of Higher Education must provide sufficient information to the commissioner of revenue to verify the taxpayer's annual contribution amounts to an account.

Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified distribution, or the sum of credits received under this section for all years.

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015.

Sec. 22. **[290.0694] VETERANS JOBS TAX CREDIT.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given.

(b)(1) "Qualified employee" means an employee as defined in section 290.92, subdivision 1, who meets the following criteria:

- (i) the employee is a resident of Minnesota on the date of hire;
  - (ii) the employee is paid wages as defined in section 290.92, subdivision 1; and
  - (iii) the employee's wages are attributable to Minnesota under section 290.191, subdivision 12;
- (2) "Qualified employee" does not include:

(i) any employee who bears any of the relationships to the employer described in subparagraphs (A) to (G) of section 152(d)(2) of the Internal Revenue Code;

(ii) if the employer is a corporation, an employee who owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation, or if the employer is an entity other than a corporation, an employee who owns, directly or indirectly, more than 50 percent of the capital and profits interests in the entity, as determined with the application of section 267(c) of the Internal Revenue Code; or

(iii) if the employer is an estate or trust, any employee who is a fiduciary of the estate or trust, or is an individual who bears any of the relationships described in subparagraphs (A) to (G) of section 152(d)(2) of the Internal Revenue Code to a grantor, beneficiary, or fiduciary of the estate or trust.

(c) "Qualified employer" means an employer that hired an unemployed veteran as a qualified employee.

(d) "Unemployed veteran" is a veteran who was unemployed on the date of hire.

(e) "Veteran" has the meaning given in section 197.447.

(f) "Date of hire" means the day that the qualified employee begins performing services as an employee of the qualified employer.

Subd. 2. **Credit for hiring unemployed veterans.** A qualified employer who is required to file a return under section 289A.08, subdivision 1, 2, or 3, and hires an unemployed veteran as a qualified employee, is allowed a credit against the tax imposed by this chapter equal to ten percent of the wages paid to the qualified employee during the taxable year, but the amount of the credit shall not exceed \$2,500. The credit is limited to the liability for tax under this chapter for the taxable year. A qualified employer is not eligible for the credit if the qualified employer currently employs or has previously employed the qualified veteran.

Subd. 3. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 4. **Flow-through entities.** Credits granted to a partnership, limited liability company taxed as a partnership, S corporation, or multiple owners of a business are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents, as of the last day of the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015.

Sec. 23. **[290.0695] EMPLOYEE CREDIT FOR CERTAIN EMPLOYER-PROVIDED FITNESS FACILITY EXPENSES.**

Subdivision 1. **Credit allowed.** (a) A taxpayer is allowed a credit against the tax imposed by this chapter, subject to the requirements of this section. The credit shall not exceed the taxpayer's tax liability. For married taxpayers filing a joint return, the credit is \$60. For all other taxpayers, the credit is \$30.

(b) The credit is allowed to an employee whose employer either:

(1) pays a portion of any fees, dues, or membership expenses on behalf of the employee to a fitness facility; or

(2) reimburses the employee for direct payment of fees, dues, or membership expenses made by the employee to a fitness facility.

(c) The credit under this section is only allowed to individuals who use the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness an average of four days per month, but if the fitness facility is used fewer than three days per month, the credit is not allowed. The commissioner shall prescribe the form and manner in which eligibility for the credit is determined.

(d) For purposes of this section, "fitness facility" means a facility located in the state:

(1) that provides instruction in a program of physical exercise; offers facilities for the preservation, maintenance, encouragement, or development of physical fitness; or is the site of such a program of a state or local government;

(2) that is not a private club owned and operated by its members;

- (3) that does not offer golf, hunting, sailing, or horseback riding facilities;
- (4) whose fitness facility is not incidental to its overall function and purpose;
- (5) that is compliant with antidiscrimination laws under chapter 363A and applicable federal antidiscrimination laws; and
- (6) is located off the employer's premises.

Subd. 2. **Limitation.** The credit under this section applies only if the employer's payment of fees, dues, or membership expenses to a fitness facility is available on substantially the same terms to each member of a group of employees defined under a reasonable classification by the employer, but no classification may include only highly compensated employees, as defined under section 414(q) of the Internal Revenue Code, or any other group that includes only executives, directors, or other managerial employees.

Subd. 3. **Nonresidents and part-year residents; flow-through entities.** For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 24. Minnesota Statutes 2014, section 290.17, subdivision 4, is amended to read:

**Subd. 4. Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership does not exist when two or more corporations are involved unless more than 50 percent of the voting stock of each corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis.

(g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

(h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (g) in the denominators of the apportionment formula. Except as otherwise provided by paragraph (f), all sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

(i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

(j) For purposes of this subdivision, "insurance company" means any company that is:

- (1) licensed to engage in the business of insurance in Minnesota pursuant to chapter 60A; or
- (2) domiciled and licensed to engage in the business of insurance in another state or country that imposes retaliatory taxes, and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota.

(k) For the purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance companies organized in another state or country that result from the fact that an insurance company organized in the taxing jurisdiction and doing business in the other jurisdiction is subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that imposed by the taxing jurisdiction upon an insurance company organized in the other state or country and doing business to the same extent in the taxing jurisdiction.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 25. Minnesota Statutes 2014, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

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

- (1) interest;
- (2) dividends;
- (3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;
- (4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; ~~and~~
- (5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; ~~and~~
- (6) sales of derivatives including, but not limited to, swaps, options, futures, and forwards.

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

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

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

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

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

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

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

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

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

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

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

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

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of

doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed. Receipts received as compensation by a nonresident individual for the performance of services as a member of a board of directors, or similar body, are attributed to Minnesota based on the ratio of the time spent in Minnesota providing services as a member of that board divided by the time spent everywhere providing services as a member of that board.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a corporation or trust for a fund of a corporation or trust regulated under United States Code, title 15, sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

**EFFECTIVE DATE.** Paragraph (a) is effective for taxable years beginning after December 31, 2014. Paragraph (j) is effective the day following final enactment and applies retroactively to all open taxable years and returns.

Sec. 26. Minnesota Statutes 2014, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as

defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) or 246A of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary

business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 27. Minnesota Statutes 2014, section 290A.03, subdivision 15, as amended by Laws 2015, chapter 1, section 4, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015.

**EFFECTIVE DATE.** This section is effective for property tax refunds based on property taxes payable after December 31, 2015, and rent paid after December 31, 2014.

Sec. 28. Minnesota Statutes 2014, section 291.005, subdivision 1, is amended to read:

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

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

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through March 26, 2014.

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

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

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2014.

Sec. 29. Minnesota Statutes 2014, section 291.03, is amended by adding a subdivision to read:

Subd. 12. **Certain dispositions to government entities.** Notwithstanding any provision of this section, no taxpayer shall be disqualified for the subtraction provided under section 291.016, subdivision 3, nor shall any taxpayer be liable for the recapture tax provided in subdivision 11, solely because the state, any local government unit, or any other entity that has the power of eminent domain acquires title or possession of the land for a public purpose within the three-year holding period.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

**Sec. 30. REPORT OF FREE ELECTRONIC FILING FOR INDIVIDUAL INCOME TAX RETURNS.**

(a) By March 16, 2016, the commissioner of revenue must provide a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes regarding free electronic filing options for individual income tax filing, including a vendor-based solution. The report must include responses from a commissioner's request for information to consumer-based tax filing software vendors. The request for information may include, but is not limited to, seeking information on the following aspects of a free electronic filing solution:

(1) costs, on a per return basis, that would be charged to the state of Minnesota to provide an electronic individual income tax return preparation, submission, and payment remittance process;

(2) vendor capability to provide customer service and issue resolution to taxpayers using the software;

(3) vendor capability to provide and maintain an appropriate link between the Department of Revenue and the Internal Revenue Service Modernized Electronic Filing Program;

(4) vendor security capabilities to ensure that taxpayer return information is maintained and protected as required by Minnesota Statutes, chapters 13 and 270B, Internal Revenue Service Publication 1075, and any other applicable requirements;

(5) products for the free filing and submitting of both Minnesota and federal returns offered to customers and the thresholds for using those products; and

(6) add-on products offered to customers and their costs.

(b) The report must address the possibility of implementing free electronic filing while maintaining annual preparation of the income tax sample required under Minnesota Statutes, section 270C.12, and must include a report on how other states with income tax samples manage federal data on federal income tax returns.

(c) The report required under paragraph (a) must comply with Minnesota Statutes, sections 3.195 and 3.197.

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

**Sec. 31. VETERANS JOBS GRANT.**

Subdivision 1. **Establishment.** The commissioner of revenue shall establish a program to award a grant to a qualified employer for hiring an unemployed veteran as a qualified employee. A qualified employer is eligible for a grant of \$2,500 for each qualified employee hired.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Local government" means statutory or home rule charter cities, counties, and townships; special districts as defined under Minnesota Statutes, section 6.465; any instrumentality of a statutory or home rule charter city, county, or township as defined in Minnesota Statutes, section

471.59; and any joint powers board or organization created under Minnesota Statutes, section 471.59.

(c) "Nonprofit organization" means an organization that has a current federal determination letter stating that the nonprofit organization qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code and is exempt from tax under section 501(a) of the Internal Revenue Code.

(d) "Qualified veteran employee" means any individual performing services within the state of Minnesota for an employer that is a local government or nonprofit organization; the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee; and who meets the following criteria:

- (1) the employee is a resident of Minnesota on the date of hire;
- (2) the employee is paid wages as defined in Minnesota Statutes, section 290.92, subdivision 1;
- (3) the employee's wages are attributable to Minnesota under Minnesota Statutes, section 290.191, subdivision 12;
- (4) the employee is employed for a period of at least 6 of the 12 months immediately following the date of hire; and
- (5) the employee is an unemployed veteran.

(e) "Qualified veteran employee" does not include any employee who, in the preceding 12 months before the employee's date of hire was, and in the calendar year in which the grant is paid, is:

- (1) a member of the board of the nonprofit organization employer that hired the qualified employee; or
- (2) an elected or appointed official of the local government that hired the qualified employee.

(f) "Qualified employer" means a local government or nonprofit organization that hires a qualified employee.

(g) "Unemployed veteran" is a veteran who was unemployed on the date of hire.

(h) "Veteran" has the meaning given in Minnesota Statutes, section 197.447.

(i) "Date of hire" means the day that the qualified veteran employee begins performing services as an employee of the qualified employer.

Subd. 3. **Application.** The commissioner must develop forms and procedures for soliciting and reviewing applications for grants under this section. At a minimum:

- (1) a local government must include a resolution of its governing body affirming the number of qualified employees hired in the year for which the grant is applied; and
- (2) a nonprofit organization must include a resolution of its board affirming the number of qualified employees hired in the year for which the grant is applied.

Subd. 4. **Aid payment and calculation.** The commissioner of revenue shall remit grants to qualified employers. The amount of the grant equals \$2,500 multiplied by the number of qualified

veteran employees hired by the qualified employer. A qualified employer must not claim a grant for hiring an unemployed veteran as a qualified veteran employee if the unemployed veteran is currently employed or was previously employed by the qualified employer. The commissioner of revenue shall pay the aid to the treasurer or designated treasurer of each qualified employer by July 15 of the calendar year following the year in which the qualified veteran employee was hired.

**EFFECTIVE DATE.** This section is effective January 1, 2016.

Sec. 32. **APPROPRIATION.**

\$175,000 in fiscal year 2016 is appropriated from the general fund to the commissioner of revenue for administering the free electronic filing study provided in this article.

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

Sec. 33. **APPROPRIATION.**

The following amounts are appropriated from the general fund to the commissioner of revenue to make grants under the veteran jobs grant program provided in this article:

- (1) \$7,600,000 in fiscal year 2016;
- (2) \$7,200,000 in fiscal year 2017; and
- (3) \$6,900,000 in each fiscal year thereafter.

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

## ARTICLE 2

### PROPERTY TAX

Section 1. **[103C.333] COUNTY LEVY AUTHORITY.**

Notwithstanding any other law to the contrary, a county levying a tax under section 103C.331 shall not include any taxes levied under those authorities in the levy certified under section 275.07, subdivision 1, paragraph (a). A county levying under section 103C.331 shall separately certify that amount, and the auditor shall extend that levy as a special taxing district levy under sections 275.066 and 275.07, subdivision 1, paragraph (b).

**EFFECTIVE DATE.** This section is effective for certifications made in 2015 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, excluding property classified as class 2; ~~or 4c(4); or 4c(12)~~ under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. For the purposes of this subdivision, in the case of class 1a, 1b, or 2a property, "market value" means the value prior to the exclusion under section 273.13, subdivision 35. In the case of class 4c(12) property, "market value" means the market value exceeding \$300,000 for taxes payable in 2016 and thereafter. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a classification rate of less than one percent under section

273.13 shall have a referendum market value equal to its market value times its classification rate, multiplied by 100.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and thereafter.

Sec. 3. Minnesota Statutes 2014, section 138.053, is amended to read:

**138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

The governing body of any home rule charter or statutory city or town may annually appropriate from its general fund an amount not to exceed 0.02418 percent of estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective city, town, or county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in the county. No city or town may appropriate any funds for the benefit of any historical society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

Sec. 4. Minnesota Statutes 2014, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure.

Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program, excluding the federal Conservation Reserve Program, if the property was classified as agricultural (i) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior to its enrollment. Enrollment in the federal Conservation Reserve Program, as contained in Public Law 98-198, shall be considered an agricultural purpose under this section. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

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

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

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

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

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

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

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

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

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

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

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

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

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

- (1) wholesale and retail sales;
- (2) processing of raw agricultural products or other goods;
- (3) warehousing or storage of processed goods; and
- (4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

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

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

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

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

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

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

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

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

- (1) a legal description of the property;
- (2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;
- (3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and
- (4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

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

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

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016.

Sec. 5. Minnesota Statutes 2014, section 273.13, subdivision 24, is amended to read:

Subd. 24. **Class 3.** Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a classification rate of ~~1.5~~ 1.55 percent of the first tier of market value, and ~~2.0~~ 2.1 percent of the remaining market value. In the case of contiguous parcels of property owned by the same

person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced classification rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value classification rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the classification rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier classification rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) All personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), and all railroad operating property has a classification rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a classification rate as provided under clause (1) for the remaining market value in excess of the first tier.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 273.1392, is amended to read:

**273.1392 PAYMENT; SCHOOL DISTRICTS.**

The amounts of bovine tuberculosis credit reimbursements under section 273.113; conservation tax credits under section 273.119; disaster or emergency reimbursement under sections 273.1231 to 273.1235; homestead and agricultural credits under ~~section~~ sections 273.1384 and 273.88; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the Department of Education by the Department of Revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2016 and thereafter.

Sec. 7. Minnesota Statutes 2014, section 273.1393, is amended to read:

**273.1393 COMPUTATION OF NET PROPERTY TAXES.**

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

- (1) disaster credit as provided in sections 273.1231 to 273.1235;
- (2) powerline credit as provided in section 273.42;
- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;
- (5) disparity reduction credit;
- (6) conservation tax credit as provided in section 273.119;
- (7) agricultural credit as provided in section 273.1384;
- (8) taconite homestead credit as provided in section 273.135;
- (9) supplemental homestead credit as provided in section 273.1391; ~~and~~
- (10) ~~the~~ bovine tuberculosis zone credit, as provided in section 273.113; and
- (11) the targeted agricultural land credit, as provided in section 273.88.

The combination of all property tax credits must not exceed the gross tax amount.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2016 and thereafter.

**Sec. 8. [273.88] TARGETED AGRICULTURAL LAND TAX CREDIT.**

**Subdivision 1. Eligibility; amount of credit.** (a) Property classified in whole or in part as class 2a agricultural property under section 273.13, subdivision 23, paragraph (b), in both the prior year and the current year, is eligible for a property tax credit if the gross property taxes payable on that portion of the property classified as agricultural increase by more than eight percent over the property taxes payable in the prior year on the same property and the amount of that increase is \$200 or more. The amount of the credit shall equal the amount of the increase over the greater of eight percent of the prior year's property taxes payable or \$200. The maximum credit allowed under this section is \$2,000.

(b) For purposes of this subdivision, "gross property taxes payable" means property taxes payable excluding special assessments, penalties and interest, and assessed fees upon the property determined without regard to the credit allowed under this section.

(c) Agricultural property shall not be eligible for the credit under this section if: (1) the property's boundaries have changed in the current payable year; (2) an improvement was constructed upon the property; (3) valuation increases occurred relating to an incremental value increase due to a plat law provision or based upon the termination of an exclusion under section 273.11, subdivision 14a, 14b, or 14c; or (4) in the prior payable year, the property was enrolled under section 273.111, 273.113, or 273.114, or chapter 473H or 40A, and that enrollment was removed for the current payable year.

(d) If the amount of the credit exceeds the total of the net tax capacity-based gross property taxes on that portion of the property eligible for a credit under subdivision (a), the credit shall be limited to the net tax capacity-based gross property taxes payable on that part of the property classified under section 273.13, subdivision 23, paragraph (b).

**Subd. 2. Credit reimbursement.** The county auditor shall determine the tax reductions allowed under subdivision 1 within the county for each taxes payable year and certify that amount to the

commissioner of revenue as part of the abstracts of tax listings submitted by the county auditors under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy and make changes as necessary, or return the certification to the county auditor for correction. The credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

Subd. 3. **Payment.** (a) The commissioner of revenue shall reimburse each local taxing jurisdiction, other than school districts, for the tax reductions granted under subdivision 1 in two equal installments on October 31 and December 26 of the taxes payable year for which the reductions are granted, including in each payment the prior year adjustments certified on the abstracts for that taxes payable year. The reimbursements related to tax increments shall be issued in one installment each year on December 26.

(b) The commissioner of revenue shall certify the total of the tax reductions granted under subdivision 1 for each taxes payable year within each school district to the commissioner of education, and the commissioner of education shall pay the reimbursement amounts to each school district as provided in section 273.1392.

Subd. 4. **Appropriation.** An amount sufficient to make the payments required by this section to taxing jurisdictions other than school districts is annually appropriated from the general fund to the commissioner of revenue. An amount sufficient to make the payments required under this section for school districts is annually appropriated from the general fund to the commissioner of education.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount for commercial-industrial property is ~~\$592,000,000~~ \$767,092,100 for taxes payable in ~~2002~~ 2016. The state general levy base amount for seasonal residential recreational property is \$34,057,500 for taxes payable in 2016. For taxes payable in subsequent years, ~~the~~ each levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

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

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

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

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

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 275.025, subdivision 3, is amended to read:

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class 1c under section 273.13, subdivision 22, and all class 4c(1), 4c(3)(ii), and 4c(12) property under section 273.13, subdivision 25, except that for each noncommercial class 4c(12) property: (i) the first \$76,000 of market value of each noncommercial class 4c(12) property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13; and (ii) the market value exceeding \$300,000 shall be excluded for taxes payable in 2016 and thereafter.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county ~~and each~~ home rule charter or statutory city, and special taxing district, excluding the metropolitan council and the metropolitan mosquito control commission, shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The proposed levy certification date for the metropolitan council shall be as prescribed in sections 473.249 and 473.446. The proposed levy certification date for the metropolitan mosquito control district shall be as prescribed in section 473.711.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town ~~and each special taxing district~~ shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

(d) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

(e) For purposes of this section, "special taxing district" means a special taxing district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

(f) At the meeting at which a taxing authority, other than a town, adopts its proposed tax levy under this subdivision, the taxing authority shall announce the time and place of its subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

**EFFECTIVE DATE.** This section is effective beginning with proposed levy certifications for taxes payable in 2016.

Sec. 12. Minnesota Statutes 2014, section 275.065, subdivision 3, is amended to read:

Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. The notice must clearly state for each city that has a population over 500, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy determination. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at that meeting, which must occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, agricultural homestead credit under section 273.1384, targeted agricultural land credit under section 273.88, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

- (i) the actual tax for taxes payable in the current year; and
- (ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

- (1) special assessments;
- (2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;
- (3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;
- (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;
- (5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and
- (6) the contamination tax imposed on properties which received market value reductions for contamination.

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

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

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

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

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

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

(i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

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

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

(3) Metropolitan Mosquito Control Commission under section 473.711.

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

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

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

(2) population growth and decline;

(3) state or federal government action; and

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

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

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 275.066, is amended to read:

**275.066 SPECIAL TAXING DISTRICTS; DEFINITION.**

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 442A.01 to 442A.29;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) Metropolitan Council under sections 473.123 to 473.549;
- (15) Metropolitan Airports Commission under sections 473.601 to 473.679;
- (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- (17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;
- (21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;
- (22) emergency medical services special taxing districts under section 144F.01;

(23) a county levying under the authority of section 103B.241, 103B.245, ~~or~~ 103B.251, or 103C.331;

(24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12;

(25) an airport authority created under section 360.0426; and

(26) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for assessment year 2016.

Sec. 14. Minnesota Statutes 2014, section 275.07, subdivision 1, is amended to read:

Subdivision 1. **Certification of levy.** (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, ~~and~~ 103B.251, and 103C.331 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

**EFFECTIVE DATE.** This section is effective for assessment year 2016.

Sec. 15. Minnesota Statutes 2014, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph

includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's homestead market value exclusion under section 273.13, subdivision 35;
- (3) the property's taxable market value under section 272.03, subdivision 15;
- (4) the property's gross tax, before credits;
- (5) for agricultural properties, the credit under section 273.88;
- ~~(5)~~ (6) for homestead agricultural properties, the credit under section 273.1384;
- ~~(6)~~ (7) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- ~~(7)~~ (8) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2016 and thereafter.

Sec. 16. Minnesota Statutes 2014, section 276A.06, subdivision 3, is amended to read:

Subd. 3. **Apportionment of levy.** The county auditor shall apportion the levy of each governmental unit in the county in the manner prescribed by this subdivision. The auditor shall:

(1) by August 20 of 2014 and each subsequent year, determine the preliminary areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (2);

(2) by September 5 of each year, adjust the preliminary areawide portion of the levy for each governmental unit by the adjustment percentage, if any, determined under subdivision 5, paragraph (b);

~~(2)~~ (3) by September 5 of 2014 and each subsequent year, determine the areawide portion of the levy for each governmental unit by multiplying the adjusted preliminary areawide portion of the levy for each governmental unit times a fraction, the numerator of which is the difference between the sum of the adjusted preliminary areawide levies for all governmental units in the area minus the school fund allocation and the denominator is the sum of the adjusted preliminary areawide levy for all governmental units in the area; and

~~(3)~~ (4) by September 5 of 2014 and each subsequent year, determine the local portion of the current year's levy by subtracting the resulting amount from clause ~~(1)~~ (2) from the governmental unit's current year's levy.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2017.

Sec. 17. Minnesota Statutes 2014, section 276A.06, subdivision 5, is amended to read:

Subd. 5. **Areawide tax rate.** (a) On or before August 25, 1997, and of each subsequent year, the county auditor shall certify to the administrative auditor the preliminary portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (1). The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of the levies from the preliminary areawide net tax capacity.

(b) The areawide tax rate may not deviate from the previous year's areawide rate by more than five percentage points. If the areawide tax rate determined under paragraph (a) does not fall within that range, the auditor must determine the percentage increase or reduction to each jurisdiction's distribution levy necessary so that the areawide rate falls within the range and recalculate the areawide rate accordingly.

(c) On or before September 1, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2017.

Sec. 18. Minnesota Statutes 2014, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** (a) Except as provided in subdivisions 3 to 5, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on

the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month accrues and is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$100, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent accrues and on the first day of December following, an additional penalty of two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month accrues and is charged on all such unpaid taxes. If one-half of such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty attaches to the remaining one-half until October 16 following.

(b) This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

(c) A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$100, payments may be made in installments as provided in this subdivision.

(d) The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

(e) No penalty under this section shall accrue if the property tax payment is delivered by mail to the county treasurer and the envelope containing the payment is postmarked within two business days of the due date prescribed under this section.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2016 and thereafter.

Sec. 19. Minnesota Statutes 2014, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** (a) The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and

file with the county auditor of the county in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under chapter 278 and agree to confess judgment for the amount provided, as determined by the county auditor. By filing the offer, the owner waives all irregularities in connection with the tax proceedings affecting the parcel and any defense or objection which the owner may have to the proceedings, and also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered. Unless the property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and (ii) tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed.

(b) For property which qualifies under section 279.03, subdivision 2, paragraph (b), each year the commissioner shall set the interest rate for offers made under paragraph (a) at the greater of five percent or two percent above the prime rate charged by banks during the six-month period ending on September 30 of that year, rounded to the nearest full percent, provided that the rate must not exceed the maximum annum rate specified under section 279.03, subdivision 1a. The rate of interest becomes effective on January 1 of the immediately succeeding year. The commissioner's determination under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386. If a default occurs in the payments under any confessed judgment entered under this paragraph, the taxes and penalties due are subject to the interest rate specified in section 279.03.

For the purposes of this subdivision:

(1) the term "prime rate charged by banks" means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System; and

(2) "default" means the cancellation of the confession of judgment due to nonpayment of the current year tax or failure to make any installment payment required by this confessed judgment within 60 days from the date on which payment was due.

(c) The interest rate established at the time judgment is confessed is fixed for the duration of the judgment. By October 15 of each year, the commissioner of revenue must determine the rate of interest as provided under paragraph (b) and, by November 1 of each year, must certify the rate to the county auditor.

(d) A qualified property owner eligible to enter into a second confession of judgment may do so at the interest rate provided in paragraph (b).

~~(e) Repurchase agreements or contracts for repurchase for properties being repurchased under section 282.261 are not eligible to receive the interest rate under paragraph (b).~~

~~(f)~~ (e) The offer must be substantially as follows:

"To the court administrator of the district court of ..... county, I, ....., am the owner of the following described parcel of real estate located in ..... county, Minnesota:

..... Upon that real estate there are delinquent taxes for the year ....., and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in the sum of \$..... and waive all irregularities in the tax proceedings affecting these taxes and any defense or objection which I may have to them, and direct judgment to be entered for the amount stated above, minus the sum of \$....., to be paid with this document, which is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above. I agree to pay the balance of the judgment in nine or four equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid. I agree to pay the installments and interest on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest the taxes under chapter 278.

Dated ....., ....."

**EFFECTIVE DATE.** This section is effective for sales and repurchases occurring after June 30, 2015.

Sec. 20. Minnesota Statutes 2014, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, and the balance must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. Standing timber or timber products must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition to the appraised value of the land. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

~~For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is subject to interest at the same rate as installment payments on confession of judgment for delinquent taxes determined in section 279.03, subdivision 1a 279.37, subdivision 2, paragraph (b). The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.~~

**EFFECTIVE DATE.** This section is effective for sales occurring after June 30, 2015.

Sec. 21. Minnesota Statutes 2014, section 282.261, subdivision 2, is amended to read:

Subd. 2. **Interest rate.** The unpaid balance on any repurchase contract approved by the county board is subject to interest at the same rate as installment payments on confession of judgment for delinquent taxes determined in section ~~279.03, subdivision 1a~~ 279.37, subdivision 2, paragraph (b). ~~The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 279.03, subdivision 1a.~~

**EFFECTIVE DATE.** This section is effective for repurchases occurring after June 30, 2015.

Sec. 22. Minnesota Statutes 2014, 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, or elects to deduct expenses under section 280A of the Internal Revenue Code for a business operated in a home, 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 17 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 refunds based on rent paid after December 31, 2013, and property taxes payable after December 31, 2014.

Sec. 23. Minnesota Statutes 2014, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a homestead increase more than ~~12~~ ten percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase

is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of ~~12~~ ten percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

**EFFECTIVE DATE.** This section is effective for refund claims based on taxes payable in 2016 and thereafter.

Sec. 24. Minnesota Statutes 2014, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. **Program qualifications.** The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, at least one of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status, and the other spouse must be at least 62 years of age;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least ~~15~~ five years prior to the year the initial application is filed;

(4) there are no state or federal tax liens or judgment liens on the homesteaded property;

(5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

**EFFECTIVE DATE.** This section is effective for applications for deferral of taxes payable in 2016 and thereafter.

Sec. 25. Minnesota Statutes 2014, section 290B.04, subdivision 1, is amended to read:

Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes. Applications are due on or before ~~July~~ November 1 for deferral of any of the following year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old. The application, which shall be prescribed by the commissioner of revenue, shall include the following items and any other information which the commissioner deems necessary:

- (1) the name, address, and Social Security number of the owner or owners;
- (2) a copy of the property tax statement for the current payable year for the homesteaded property;
- (3) the initial year of ownership and occupancy as a homestead;
- (4) the owner's household income for the previous calendar year; and
- (5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the annual deferred amount, the cumulative deferral and interest that appear on each year's notice prepared by the county under subdivision 6, is public data.

The application must state that program participants may claim the property tax refund based on the full amount of property taxes eligible for the refund, including any deferred amounts. The application must also state that property tax refunds will be used to offset any deferral and interest under this program, and that any other amounts subject to revenue recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and interest under this program.

(b) As part of the initial application process, the commissioner may require the applicant to obtain at the applicant's own cost and submit:

- (1) if the property is registered property under chapter 508 or 508A, a copy of the original certificate of title in the possession of the county registrar of titles (sometimes referred to as "condition of register"); or
- (2) if the property is abstract property, a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the property or to the applicant.

The certificate or report under clauses (1) and (2) need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application.

The commissioner may also require the county recorder or county registrar of the county where the property is located to provide copies of recorded documents related to the applicant or the property, for which the recorder or registrar shall not charge a fee. The commissioner may use any information available to determine or verify eligibility under this section. The household income from the application is private data on individuals as defined in section 13.02, subdivision 12.

**EFFECTIVE DATE.** This section is effective for applications for deferral of taxes payable in 2016 and thereafter.

Sec. 26. Minnesota Statutes 2014, section 469.194, subdivision 1, is amended to read:

Subdivision 1. **Authority; aggregate limit.** (a) The governing body of ~~a municipality~~ the city of Worthington may, by resolution, issue obligations under chapter 475 to acquire land or interests in land for, and to design, engineer, and construct pipeline and other facilities and infrastructure necessary to complete the Lewis and Clark Regional Water System Project.

(b) The maximum amount of bonds that may be issued under this section is limited to ~~an aggregate~~ a principal amount of ~~\$45,000,000~~ \$50,000,000, plus any costs of issuance and amounts to be deposited into a debt service or reserve account. ~~The Lewis and Clark Joint Powers Board shall allocate the limit among the municipalities designated in subdivision 2.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval under the provisions of Minnesota Statutes, section 645.023.

Sec. 27. Minnesota Statutes 2014, section 473H.09, is amended to read:

#### **473H.09 EARLY TERMINATION.**

Subdivision 1. **Public emergency.** Termination of an agricultural preserve earlier than a date derived through application of section 473H.08 may be permitted ~~only~~ in the event of a public emergency upon petition from the owner or authority to the governor. The determination of a public emergency shall be by the governor through executive order pursuant to sections 4.035 and 12.01 to 12.46. The executive order shall identify the preserve, the reasons requiring the action and the date of termination.

Subd. 2. **Death of owner.** (a) Within 180 days of the death of an owner, an owner's spouse, or other qualifying person, the surviving owner may elect to terminate the agricultural preserve and the covenant allowing the land to be enrolled as an agricultural preserve by notifying the authority on a form provided by the commissioner of agriculture. Termination of a covenant under this subdivision must be executed and acknowledged in the manner required by law to execute and acknowledge a deed.

(b) For purposes of this subdivision, the following definitions apply:

(1) "qualifying person" includes a partner, shareholder, trustee for a trust that the decedent was the settlor or a beneficiary of, or member of an entity permitted to own agricultural land and engage in farming under section 500.24 that owned the agricultural preserve; and

(2) "surviving owner" includes the executor of the estate of the decedent, trustee for a trust that the decedent was the settlor or a beneficiary of, or an entity permitted to own farm land under section 500.24 of which the decedent was a partner, shareholder, or member.

(c) When an agricultural preserve is terminated under this subdivision, the property is subject to additional taxes in an amount equal to 50 percent of the taxes actually levied against the property for the current taxes payable year. The additional taxes are extended against the property on the tax list for taxes payable in the current year. The additional taxes must be distributed among the jurisdictions levying taxes on the property in proportion to the current year's taxes.

**EFFECTIVE DATE.** This section is effective July 1, 2015.

Sec. 28. Laws 1996, chapter 471, article 3, section 51, is amended to read:

**Sec. 51. RECREATION LEVY FOR SAWYER BY CARLTON COUNTY.**

Subdivision 1. **Levy authorized.** Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to ~~\$1,500~~ \$2,000 annually for recreational purposes, ~~beginning with taxes payable in 1997 and ending with taxes payable in 2006.~~

Subd. 2. **Effective date.** ~~This section is effective June 1, 1996, without local approval applies to taxes payable in 2015 and thereafter, and is effective the day after the Carlton County Board of Commissioners and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.~~

**Sec. 29. BOARD OF APPEALS AND EQUALIZATION IN-PERSON TRAINING.**

Notwithstanding any other law to the contrary, the commissioner of revenue, in consultation with the Minnesota Association of Townships, shall offer not less than 12 in-person board of appeals and equalization course trainings in 2015 and in 2016.

**EFFECTIVE DATE.** This section is effective June 1, 2015.

**Sec. 30. OPTIONAL CANCELLATION OF TAX FORFEITURE FOR CERTAIN BUILDINGS; ST. LOUIS COUNTY.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Building PIN" means a parcel identification number that is assigned to a building and does not include the land upon which the building is located; and

(c) "Land PIN" means a parcel identification number that is assigned to land upon which a building associated with a building PIN is located.

Subd. 2. **Optional cancellation of tax forfeiture for buildings with building PINs.** Notwithstanding any law to the contrary, if any building associated with a building PIN and located in St. Louis County forfeits or has forfeited to the state of Minnesota before, on, or after the date of enactment of this section because of nonpayment of delinquent property taxes, special assessments, penalties, interest, or costs, the county auditor of St. Louis County may, with approval from the county board and the commissioner of revenue:

(1) cancel the certificate of forfeiture and set aside the forfeiture without reinstating the unpaid property taxes, special assessments, penalties, interest, or costs; and

(2) combine the building PIN with its associated land PIN. When this occurs, the land PIN is the only surviving parcel identification number, and includes both the building and the land upon which the building is located.

Subd. 3. **Cancellation of tax forfeiture; taxation through date of cancellation.** Notwithstanding any law to the contrary, if the county auditor of St. Louis County cancels a certificate of forfeiture and sets aside a forfeiture in accordance with subdivision 2, the affected building is not subject to taxation from the date of forfeiture through the date of cancellation.

Subd. 4. **Appropriation.** \$1,000,000 in fiscal year 2016 only is appropriated from the general fund to the commissioner of revenue for a grant to St. Louis County that shall be paid on July 1, 2015. The county may only use the grant to remove any building, upon the request of the landowner, after the county has complied with the provisions of subdivision 2.

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

Sec. 31. **STUDY AND REPORT OF PRODUCTION BASED VALUATION OF AGRICULTURAL LAND.**

(a) The commissioner of agriculture and the commissioner of revenue shall conduct a study and prepare a report on the possibility of valuing agricultural land in the state for property tax purposes based on the value of agricultural commodities produced minus the cost of agricultural production.

(b) The study must, to the extent practicable under the appropriation and the time available:

(1) assess the availability and accuracy of data sources necessary to determine the productivity of agricultural land, the prices of agricultural commodities, and the costs of production, for all agricultural land across the state;

(2) analyze the potential impacts on other types of properties and on local governments if the state were to adopt a system valuing agricultural land based on production value, including the impacts of any changes in state aids;

(3) identify types of agricultural properties that are not directly used in agricultural production, and propose approaches for valuing those properties within a production value based system;

(4) assign values to agricultural land based on the best currently available data, and compare the resulting values to valuations currently used for property tax purposes; to the extent possible, analyze what that relationship would be in years other than the study year;

(5) analyze the potential volatility of land values under a production value based system and propose approaches for reducing the effects of agricultural land value volatility on other types of properties;

(6) analyze the potential tax shifts between different types of agricultural properties under a production value based system;

(7) analyze and make recommendations for how a production value based system would be administered in terms of the role of the Department of Revenue, county and local assessors, and other agencies;

(8) analyze how appeals of assessments by property owners would be handled under a production value based system;

(9) analyze how a production value based system would affect the green acres and metropolitan agricultural preserves programs;

(10) identify other states that have adopted production based valuation systems and describe how they have been implemented, with special emphasis upon neighboring states; and

(11) identify possible alternative methods of valuing agricultural land in addition to market value and production based agricultural land valuation.

(c) The commissioners must seek input from the dean of the University of Minnesota College of Food, Agricultural, and Natural Resource Sciences in the design and implementation of the study.

(d) The commissioners must request the involvement and participation of stakeholders including groups representing assessors and groups representing agricultural property owners.

(e) The commissioners shall report the findings of the study to the committees of the house of representatives and senate having jurisdiction over taxes by February 1, 2017, and file the report as required by Minnesota Statutes, section 3.195.

(f) \$200,000 in fiscal year 2016 is appropriated from the general fund to the commissioner of revenue for purposes of preparing the report under this section. This is a onetime appropriation and is not added to the base.

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

**Sec. 32. TOWN OF TOFTE; MUNICIPAL HOUSING.**

(a) Notwithstanding the provisions of Laws 1988, chapter 516, and Laws 1988, chapter 719, article 19, section 27, the town of Tofte may own and operate within its boundary up to 12 units of housing for individuals over 55 years of age or families with one member of the household that is over 55 years of age.

(b) The town of Tofte shall have the powers of a city under Minnesota Statutes, chapter 462C, and the powers of an authority under Minnesota Statutes, sections 469.001 to 469.047, with respect to this section. Upon the approval of the town board, the town of Tofte may levy the tax described in Minnesota Statutes, section 469.033, subdivision 6.

(c) Nothing in this section shall limit the power of the Cook County/Grand Marais Joint Economic Development Authority to exercise jurisdiction within the town of Tofte. The authority to undertake new projects under this section shall expire on June 30, 2016.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the town of Tofte with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 33. APPROPRIATION.**

\$1,130,000 in fiscal year 2016 only is appropriated from the general fund to the commissioner of revenue for a grant to Hennepin County. Of this amount, \$880,000 must be used for the North Branch Library EMERGE Career and Technology Center, and \$250,000 must be used for the Cedar Riverside Opportunity Center.

**Sec. 34. REPEALER.**

(a) Minnesota Statutes 2014, section 272.02, subdivision 23, is repealed.

(b) Minnesota Statutes 2014, section 275.025, subdivision 4, is repealed.

(c) Minnesota Statutes 2014, section 469.194, subdivisions 2 and 4, are repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective for taxes payable in 2015. Paragraph (b) is effective for taxes payable in 2016 and thereafter. Paragraph (c) is effective the day following final enactment.

### ARTICLE 3

#### LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2014, section 469.1763, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Activities" means acquisition of property, clearing of land, site preparation, soils correction, removal of hazardous waste or pollution, installation of utilities, construction of public or private improvements, and other similar activities, but only to the extent that tax increment revenues may be spent for such purposes under other law.

(c) "Third party" means an entity other than (1) the person receiving the benefit of assistance financed with tax increments, or (2) the municipality or the development authority or other person substantially under the control of the municipality.

(d) "Revenues derived from tax increments paid by properties in the district" means only tax increment as defined in section 469.174, subdivision 25, clause (1), and does not include tax increment as defined in section 469.174, subdivision 25, clauses ~~(2), (3), and (4)~~ to (5).

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

Sec. 2. Minnesota Statutes 2014, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue revenues derived from tax increments for paid by properties in the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code; and

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) \$200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or \$125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) For a district created within a biotechnology and health sciences industry zone as defined in Minnesota Statutes 2012, section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are considered as expenditures for activities within the district. The authority provided by this paragraph expires for expenditures made after the later of (1) December 31, 2015, or (2) the end of the five-year period beginning on the date the district was certified, provided that date was before January 1, 2016.

(f) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

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

Sec. 3. Minnesota Statutes 2014, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments paid by properties in the district are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 4. Minnesota Statutes 2014, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** (a) The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so.

(b) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized; by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is authorized; before money is transferred, advanced, or spent, whichever is earliest.

(c) The resolution may generally grant to the municipality or the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(d) The terms and conditions for repayment of the loan must be provided in writing and. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the municipality or the authority before the latest decertification of the tax increment financing district from which the interfund loan will be paid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(e) The authority shall report in the annual report submitted pursuant to section 469.175, subdivision 6:

- (1) the amount of any interfund loan or advance made in a calendar year; and
- (2) any amendment of an interfund loan or advance made in a calendar year.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

**Sec. 5. CITY OF COON RAPIDS; TAX INCREMENT FINANCING.**

Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Coon Rapids may collect tax increment from District 6-1 Port Riverwalk through December 31, 2038.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing bodies of the city of Coon Rapids, Anoka County, and Independent School District No. 11 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

**Sec. 6. CITY OF COTTAGE GROVE; TAX INCREMENT FINANCING.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for Tax Increment Financing District No. 1-12 (Gateway North), administered by the Cottage Grove Economic Development Authority, if the activities are undertaken prior to January 1, 2017.

**EFFECTIVE DATE.** This section is effective upon compliance by the chief clerical officer of the governing body of the city of Cottage Grove with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 7. CITY OF RICHFIELD; EXTENSION OF DISTRICT.**

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Richfield and the Housing and Redevelopment Authority in and for the city of Richfield may elect to extend the duration limit of the redevelopment tax increment financing district known as the Cedar Avenue Tax Increment Financing District established by Laws 2005, chapter 152, article 2, section 25, by ten years.

**EFFECTIVE DATE.** This section is effective upon compliance by the city of Richfield, Hennepin County, and Independent School District No. 280 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

**Sec. 8. CITY OF ST. PAUL; TIF AUTHORITY.**

Subdivision 1. **Establishment.** Under the special rules in subdivision 2, the housing and redevelopment authority of the city of St. Paul may establish one or more redevelopment tax increment financing districts located wholly within the area of the former Ford Motor Company plant properties, consisting of two tax parcels, 17-28-23-31-0001 and 17-28-23-13-0002, and adjacent roads and rights-of-way.

Subd. 2. **Special rules.** (a) If the authority establishes any tax increment district under this section, the following special rules apply:

(1) the districts are deemed to meet all the requirements of Minnesota Statutes, section 469.174, subdivision 10;

(2) any expenditure for, or payment of bonds issued to finance, activities within the area described in subdivision 1 is not subject to the restrictions under Minnesota Statutes, section 469.1763, for any district established under this section, except that expenditures for activities outside the area defined in subdivision 1 are subject to the percentage limits under Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a); and

(3) Minnesota Statutes, section 469.176, subdivision 4j, does not apply.

(b) Except as otherwise provided in paragraph (a), the provisions of Minnesota Statutes, sections 469.174 to 469.1794, apply to districts established under this section.

Subd. 3. **Expiration.** The authority to request certification of districts under this section expires June 30, 2020, unless the city has requested certification of at least one district by that date. The authority to request certification of any district under this section expires June 30, 2030.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of St. Paul and compliance with the requirements of Minnesota Statutes, section 645.021.

## ARTICLE 4

### SALES AND USE TAXES

Section 1. Minnesota Statutes 2014, section 289A.20, subdivision 4, is amended to read:

**Subd. 4. Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as

allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$250,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit ~~81.4~~ 80 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$250,000 during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$250,000 or more, during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for ~~81.4~~ 80 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

**EFFECTIVE DATE.** This section is effective for taxes due and payable after July 1, 2015.

Sec. 2. Minnesota Statutes 2014, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** For payments made after December 31, 2013, if a vendor is required by law to submit an estimation of June sales tax liabilities and ~~81.4~~ 80 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of ~~81.4~~ 80 percent of the preceding May's liability or ~~81.4~~ 80 percent of the average monthly liability for the previous calendar year.

**EFFECTIVE DATE.** This section is effective for taxes due and payable after July 1, 2015.

Sec. 3. Minnesota Statutes 2014, section 297A.62, subdivision 3, is amended to read:

Subd. 3. **Manufactured housing and park trailers; modular housing.** (a) For retail sales of manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the dealer's cost of the manufactured home.

For retail sales of new or used park trailers, as defined in section 168.002, subdivision 23, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the sales price of the park trailer.

(b) For retail sales of a modular home, as defined in section 297A.668, subdivision 8, paragraph (b), for residential use, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the dealer's cost of the modular home.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 4. Minnesota Statutes 2014, section 297A.67, subdivision 7a, is amended to read:

Subd. 7a. **Accessories and supplies.** Accessories and supplies required for the effective use of durable medical equipment for home use only or purchased in a transaction covered by Medicare or Medicaid, or other health insurance plan, that are not already exempt under subdivision 7, are exempt. Accessories and supplies for the effective use of a prosthetic device, that are not already exempt under subdivision 7, are exempt. For purposes of this subdivision "durable medical equipment," "prosthetic device," "Medicare," and "Medicaid" have the definitions given in subdivision 7, and "other health insurance plan" means a health plan defined in section 62A.011, subdivision 3, or 62V.02, subdivision 4, or a qualified health plan defined in section 62A.011, subdivision 7.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after April 1, 2009. Any vendor who paid sales or use tax on accessories and supplies purchased in a transaction covered by a health insurance plan defined in Minnesota Statutes, section 62A.011, subdivision 3, or 62V.02, subdivision 4, or a qualified health plan defined in Minnesota Statutes, section 62A.011, subdivision 7, that are not already exempt under Minnesota Statutes, section 297A.67, subdivision 7, and that were sold after April 1, 2009, and before July 1, 2015, may apply for a refund of the sales or use tax paid in the manner provided in Minnesota Statutes, section 289A.50, subdivision 1, but only if the vendor did not collect and remit sales tax on the accessories and supplies for which a refund is claimed. Interest on the refund shall be paid at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner of revenue. The amount to make the refunds is annually appropriated to the commissioner of revenue from the general fund. Refunds must not be filed until after June 30, 2015. Notwithstanding limitations on claims for refunds under Minnesota Statutes, section 289A.40, claims may be filed with the commissioner until June 30, 2016.

Sec. 5. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision to read:

Subd. 34. **Precious metal bullion.** (a) Sales of precious metal bullion by registered dealers under section 80G.02 that are required to be reported under Internal Revenue Service revenue procedure 92-103 are exempt. For purposes of this subdivision, "precious metal bullion" means bullion that would qualify for the exception for certain coins and bullion under section 408(m)(3) of the Internal Revenue Code of 1986 as amended through December 31, 2014. "Precious metal bullion" does not include jewelry, certified or graded coins, numismatic coins, or works of art.

(b) The intent of this subdivision is to afford the sale of precious metal bullion similar treatment as afforded the sale of stock, bullion exchange traded funds, bonds, and other investment instruments.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision to read:

Subd. 35. **Car seats.** The sale of an infant or child car seat, including a booster seat, that meets the requirements of a child passenger restraint system under motor vehicle safety standards established by the United States Department of Transportation is exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process;
- (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
- (9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;

- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
  - (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
  - (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
  - (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;
  - (7) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;
  - (8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);
  - (9) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery or equipment used to blend petroleum or biodiesel fuel as defined in section 239.77; or
  - (10) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.
- (d) For purposes of this subdivision:
- (1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.
  - (2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.
  - (3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.
  - (4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in

paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 297A.68, subdivision 35a, is amended to read:

Subd. 35a. **Telecommunications or pay television services machinery and equipment.** (a) Telecommunications or pay television services machinery and equipment purchased or leased for use directly by a telecommunications or pay television services provider primarily in the provision of telecommunications or pay television services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications or pay television machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications or pay television services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications or pay television services, such as radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, ~~but not wire, cable, including fiber, poles, or and conduit,~~ but not including wire, cable, or poles;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to

the operation of the telecommunications or pay television equipment; and software necessary to the operation of the telecommunications or pay television equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 9. Minnesota Statutes 2014, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph ~~(b)~~ (c), to the following "nonprofit organizations" are exempt if the item purchased is used in the performance of their exempt function. The exemptions under this paragraph do not apply to:

~~(1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions; and veterans groups under subdivision 5;~~

~~(2) any senior citizen group or association of groups that: hospitals, outpatient surgical centers, and critical access dental providers under subdivision 7, paragraphs (a) to (c), (e), and (f);~~

~~(i) in general limits membership to persons who are either age 55 or older, or physically disabled;~~

~~(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and~~

~~(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.~~

~~(3) products and services under subdivision 7, paragraph (d);~~

~~(4) nursing homes and boarding care homes under subdivision 18; or~~

~~(5) a nonprofit organization authorized under section 465.717.~~

~~(b) For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization. "nonprofit organization" means:~~

~~(1) an organization that has a current federal determination letter stating that the nonprofit organization qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code and has obtained a Minnesota tax identification number from the Department of Revenue under section 297A.83; or~~

~~(2) any senior citizen group or association of groups that:~~

~~(i) in general, limits membership to persons who are either age 55 or older or physically disabled;~~

~~(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and~~

~~(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.~~

~~(b) (c) This exemption does not apply to the following sales:~~

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph ~~(e)~~ (d).

~~(e)~~ (d) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

(1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

~~(d)~~ (e) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 10. Minnesota Statutes 2014, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible personal property or services at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than five ten days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues forgone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. Fund-raising events do not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or other activities carried out in the normal course of business.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 11. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 20. **Animal shelters.** Sales of animals by a nonprofit animal shelter are exempt. For purposes of this subdivision, the term "nonprofit animal shelter" means a nonprofit organization that is exempt under section 297A.70, subdivision 4, and is engaged in the business of rescuing, sheltering, and finding homes for unwanted animals.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 12. Minnesota Statutes 2014, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in paragraphs (b) and (c) and subdivision 3a, a tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of 95 percent of the wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

(1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;

(2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or

(3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

(b) ~~Notwithstanding paragraph (a);~~ A minimum tax equal to the greater of the tax imposed under paragraph (a) or a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, is imposed on each container of moist snuff weighing not more than 1.2 ounces. When more than one container subject to tax under this clause is packaged together, each container is subject to the minimum tax.

(c) Except as provided in paragraph (b), a tax equal to the greater of the tax imposed under paragraph (a) or a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, times the number of ounces of moist snuff in the container, divided by 1.2, is imposed on each container of moist snuff weighing more than 1.2 ounces.

For purposes of this subdivision, a "container" means ~~the smallest~~ a consumer-size can, package, or other container that is marketed or packaged by the manufacturer, distributor, or retailer for separate sale to a retail purchaser. ~~When more than one container is packaged together, each container is subject to tax.~~

**EFFECTIVE DATE.** This section is effective July 1, 2015.

Sec. 13. Minnesota Statutes 2014, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of \$250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the distributor shall remit the actual May liability and ~~81.4~~ 80 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

- (1) ~~81.4~~ 80 percent of the actual June liability; or
- (2) ~~81.4~~ 80 percent of the preceding May liability.

**EFFECTIVE DATE.** This section is effective for taxes due and payable after July 1, 2015.

Sec. 14. Minnesota Statutes 2014, section 297G.09, subdivision 9, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of \$250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the taxpayer shall remit the actual May liability and ~~81.4~~ 80 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal

to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

- (1) ~~81.4~~ 80 percent of the actual June liability; or
- (2) ~~81.4~~ 80 percent of the preceding May liability.

**EFFECTIVE DATE.** This section is effective for taxes due and payable after July 1, 2015.

Sec. 15. Minnesota Statutes 2014, section 297H.04, subdivision 2, is amended to read:

Subd. 2. **Rate.** (a) Commercial generators that generate nonmixed municipal solid waste shall pay a solid waste management tax of 60 cents per noncompacted cubic yard of periodic waste collection capacity purchased by the generator, based on the size of the container for the nonmixed municipal solid waste, the actual volume, or the weight-to-volume conversion schedule in paragraph (c). However, the tax must be calculated by the waste management service provider using the same method for calculating the waste management service fee so that both are calculated according to container capacity, actual volume, or weight.

(b) Notwithstanding section 297H.02, a residential generator that generates nonmixed municipal solid waste shall pay a solid waste management tax in the same manner as provided in paragraph (a).

(c) The weight-to-volume conversion schedule for:

(1) construction debris as defined in section 115A.03, subdivision 7, is ~~one ton equals 3.33 cubic yards, or \$2 per ton~~ equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the Pollution Control Agency, shall determine and may publish by notice a conversion schedule for construction debris;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents per cubic yard. The commissioner of revenue after consultation with the commissioner of the Pollution Control Agency, shall determine, and may publish by notice, a conversion schedule for various industrial wastes; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60 cents per 150 pounds.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 469.190, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, or at a special town meeting, impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground. Regardless of whether the tax is collected locally or by the state, a tax imposed under this subdivision or under a special law applies to the entire consideration paid to obtain access to lodging, including ancillary or related

services, such as services provided by accommodation intermediaries as defined in section 297A.61, and similar services.

**EFFECTIVE DATE.** This section is effective the day following final enactment. In enacting this section, the legislature confirms that Minnesota Statutes, section 469.190, its predecessor provisions, and any special laws authorizing political subdivisions to impose lodging taxes, were and are intended to apply to the entire consideration paid to obtain access to lodging, including ancillary or related services, such as services provided by accommodation intermediaries as defined in Minnesota Statutes, section 297A.61, and similar services. The provisions of this section must not be interpreted to imply a narrower construction of the tax base under lodging tax provisions of Minnesota law prior to the enactment of this section.

Sec. 17. Minnesota Statutes 2014, section 469.190, subdivision 7, is amended to read:

Subd. 7. **Collection.** (a) The statutory or home rule charter city may agree with the commissioner of revenue that a tax imposed pursuant to this section shall be collected by the commissioner together with the tax imposed by chapter 297A, and subject to the same interest, penalties, and other rules and that its proceeds, less the cost of collection, shall be remitted to the city.

(b) If a tax under this section or under a special law is not collected by the commissioner of revenue, the local government imposing the tax may by ordinance limit the required filing and remittance of the tax by an accommodation intermediary, as defined in section 297A.61, subdivision 47, to once in every calendar year. The local government must inform the accommodation intermediary of the date when the return or remittance is due and the dates must coincide with one of the monthly dates for filing and remitting state sales tax under chapter 297A. The local government must also provide accommodation intermediaries electronically with geographic and zip code information necessary to correctly collect the tax.

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

Sec. 18. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003, First Special Session chapter 21, article 8, section 11, Laws 2008, chapter 154, article 5, section 2, and Laws 2014, chapter 308, article 3, section 21, is amended to read:

Subd. 2. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one and three-quarter percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this paragraph at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$40,285,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision

3, clause (c). This tax expires when the city council determines that the tax imposed under this paragraph, along with the tax imposed under section 22, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of 34th 14th Avenue West and the area south of and including Skyline Parkway.

(c) The city of Duluth may sell and issue up to \$18,000,000 in general obligation bonds under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of issuance and any premiums. The proceeds may be used to finance capital improvements to public facilities that support tourism and recreational activities in the portion of the city west of 34th 14th Avenue West and the area south of and including Skyline Parkway, as described in paragraph (b). The issuance of the bonds is subject to the provisions of Minnesota Statutes, chapter 475, except no election shall be required unless required by the city charter. The bonds shall not be included in computing net debt. The revenues from the taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph (b), may be pledged to pay principal of and interest on such bonds.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, Laws 2003, First Special Session chapter 21, article 8, section 12, and Laws 2014, chapter 308, article 3, section 22, is amended to read:

**Sec. 22. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.**

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. This tax expires when the city council first determines that the tax imposed under this paragraph, along with the tax imposed under section 21, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of 34th 14th Avenue West and the area south of and including Skyline Parkway.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, Laws 2008, chapter 366, article 7, section 9, and Laws 2009, chapter 88, article 4, section 14, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping. It also includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, for use by Minnesota State University, Mankato.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and subject to voter approval at a special or general election held on or before December 31, 2018, the city may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2:

(1) up to a maximum of \$29,000,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

(i) improvements to regional recreational facilities including existing hockey and curling rinks, a baseball park, youth athletic fields and facilities, and the municipal swimming pool including improvements to make the pool compliant with the Americans with Disabilities Act;

(ii) improvements to flood control and the levee system;

(iii) water quality improvement projects in Blue Earth and Nicollet Counties;

(iv) expansion of the regional transit building and related multimodal transit improvements;

(v) regional public safety and emergency communications improvements and equipment; and

(vi) matching funds for improvements to publicly owned regional facilities including a historic museum, supportive housing, and a senior center; and

(2) up to a maximum of \$25,000,000, plus associated bond costs, to pay all or a portion of the costs of constructing the following new regional athletic facilities: ice sheets, swimming and aquatic facility, multi-use sports bubble, indoor field house, or indoor tennis courts.

(c) The additional uses of revenues authorized in paragraph (b) must be presented to voters in one ballot question. The election must be held on the same date as the election to extend the North Mankato local option sales tax authorized under section 25 of this article.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Mankato and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 21. Laws 1991, chapter 291, article 8, section 27, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 25, and Laws 2008, chapter 366, article 7, section 10, is amended to read:

Subd. 4. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire ~~on~~ at the later of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2022, unless the additional uses under subdivision 3, paragraph (b), are authorized. If the additional uses allowed in subdivision 3, paragraph (b), are authorized, the taxes expire at the later of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2038. Upon expiration of the taxes, any remaining fund balance of revenues derived from the taxes shall be disbursed to the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

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

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

(b) The city of Mankato, subject to voter approval at the election required under subdivision 3, paragraph (b), may issue general obligation bonds of the city in an amount not to exceed \$29,000,000 for the projects listed under subdivision 3, paragraph (b), clause (1), and not to exceed \$25,000,000 for the projects listed under subdivision 3, paragraph (b), clause (2), without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds under this paragraph shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds, and shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city. The city may use tax revenue in excess of one year's principal interest reserve for intended annual bond payments to pay all or a portion of the cost of capital improvements authorized in subdivision 3.

(c) Notwithstanding the maximum bond limits in this subdivision, the city may use tax revenue in excess of any and all annual principal and interest payment obligations for capital replacement associated with the uses authorized in subdivision 3.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 23. Laws 1991, chapter 291, article 8, section 27, subdivision 6, is amended to read:

Subd. 6. **Reverse referendum; authorization of extensions.** (a) If the Mankato city council intends to exercise the authority provided by this section, it shall pass a resolution stating the fact before July 1, 1991. The resolution must be published for two successive weeks in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but not more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or adopt a resolution confirming its intention to exercise the authority. That resolution must also be published in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days after publication of the resolution a petition signed by voters equal in number to ten percent of the votes cast in the city in the last general election requesting a vote on the proposed resolution is filed with the county auditor, the resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1991. This subdivision applies notwithstanding any city charter provision to the contrary.

(b) If the Mankato city council wishes to extend the taxes authorized under subdivisions 1 and 2 to fund any of the projects listed in subdivision 3, paragraph (b) or (c), the city must pass a resolution extending the taxes before July 1, 2015. The tax may not be imposed unless approved by the voters.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 24. Laws 2006, chapter 257, section 2, the effective date, as amended by Laws 2011, First Special Session chapter 7, article 3, section 17, is amended to read:

**EFFECTIVE DATE.** This section is effective for sales and purchases after June 30, 2006, ~~and before July 1, 2015.~~

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

Sec. 25. Laws 2008, chapter 366, article 7, section 20, is amended to read:

Sec. 20. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

- (1) the local share of the Trunk Highway 14/County State-Aid Highway 41 interchange project;
- (2) development of regional parks and hiking and biking trails;
- (3) expansion of the North Mankato Taylor Library;

- (4) riverfront redevelopment; and
- (5) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$6,000,000 plus any associated bond costs.

(b) If the city extends the tax as authorized under subdivision 2a, paragraph (a), the total amount that may be used to fund these projects is increased by \$9,000,000, plus associated bond costs, including interest on the bonds, minus any revenues used for the purposes listed in paragraph (c).

(c) Revenues raised from the tax imposed under subdivision 1 may also be used to fund all or a portion of the costs of constructing new regional athletic facilities: ice sheets, swimming and aquatic facility, multi-use sports bubble, indoor field house, or indoor tennis courts if those facilities are constructed within the corporate boundaries of the city of North Mankato. The tax may only be used for this purpose if authorized by the voters as provided for in subdivision 2a, paragraph (b).

Subd. 2a. **Authorization to extend the tax.** (a) Notwithstanding section 297A.99, subdivision 3, if the North Mankato city council intends to extend the tax authorized under subdivision 1 to cover an additional \$9,000,000 in bonds, plus associated bond costs, including interest on the bonds, to fund the projects in subdivision 2, paragraph (a), the city must pass a resolution extending the tax before July 1, 2015. The resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The referendum must be held at a special or general election before December 1, 2018, and must be held on the same date as the referendum required under section 20. This subdivision applies notwithstanding any city charter provision to the contrary.

(b) Notwithstanding section 297A.99, subdivision 3, and subject to voter approval at a special or general election held on or before December 1, 2018, the city may use up to \$5,000,000, plus associated bond costs of the additional sales tax revenue allowed to be raised under paragraph (a), to pay all or a portion of the costs of constructing the new regional athletic facilities listed in subdivision 2, paragraph (c). The referendum required under this paragraph must be held on the same date as the referendum required under paragraph (a). The uses of revenues authorized in this paragraph and paragraph (a) must be presented to voters in one ballot question. The election must be held on the same date as the election to extend the Mankato local option sales tax authorized under section 20.

Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006 referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, paragraph (a), in an amount that does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The city of North Mankato, subject to voter approval under subdivision 2a, paragraph (a), allowing for additional revenue to be spent for the projects in subdivision 2, paragraph (a), may issue additional bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for those projects in an amount that does not exceed \$9,000,000, plus associated bond costs, including interest on the bonds. If approved by voters as required under subdivision 2a, paragraph (b), up to \$5,000,000 of the bonds, plus associated bond costs, may be used to pay capital and administrative costs for the projects listed in subdivision 2, paragraph (b), instead. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) (c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

(d) Notwithstanding the maximum bond limits set forth above, the city may use tax revenue in excess of any and all annual principal and interest payment obligations for capital replacement associated with the uses authorized in subdivision 2.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2, paragraph (a), first equals or exceeds \$6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds, unless the tax is extended as allowed in this section. If the tax is extended as allowed under subdivision 2a, paragraphs (a) and (b), the tax expires December 31, 2038. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of North Mankato and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. Laws 2013, chapter 143, article 8, section 22, the effective date, as amended by Laws 2014, chapter 308, article 3, section 30, is amended to read:

**EFFECTIVE DATE.** Subdivision 7, paragraph (c), clause (2), is effective for sales and purchases made after June 30, 2013. The provisions of subdivision 7, paragraph (b), and paragraph (c), clause (8), are effective retroactively for sales and purchases made after April 1, 2009. Any vendor who paid sales or use tax on items now exempt under subdivision 7, paragraph (b), and paragraph (c), clause (8), that were sold after April 1, 2009, and before July 1, 2013, may apply for a refund of the sales or use tax paid in the manner provided in Minnesota Statutes, section 289A.50, subdivision 1, but only if the vendor did not collect and remit sales tax on the items for which a refund is claimed. Interest on the refund shall be paid at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner of revenue. The amount to make the refunds is annually appropriated to the commissioner of revenue from the general fund. Notwithstanding limitations on claims for refunds under Minnesota Statutes, section 289A.40, claims may be filed with the commissioner until June 30, ~~2015~~ 2016.

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

Sec. 27. Laws 2013, chapter 143, article 8, section 23, the effective date, as amended by Laws 2014, chapter 308, article 3, section 31, is amended to read:

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013, except that the provision regarding accessories and supplies purchased in a transaction covered by Medicare or Medicaid that are not already exempt under Minnesota Statutes, section 297A.67, subdivision 7, and the provision defining "Medicare" and "Medicaid" are effective retroactively for sales and purchases made after April 1, 2009. Any vendor who paid sales or use tax on accessories and supplies purchased in a transaction covered by Medicare or Medicaid that are not already exempt under Minnesota Statutes, section 297A.67, subdivision 7, and that were sold after April 1, 2009, and before July 1, 2013, may apply for a refund of the sales or use tax paid in the manner provided in

Minnesota Statutes, section 289A.50, subdivision 1, but only if the vendor did not collect and remit sales tax on the accessories and supplies for which a refund is claimed. Interest on the refund shall be paid at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner of revenue. The amount to make the refunds is annually appropriated to the commissioner of revenue from the general fund. Notwithstanding limitations on claims for refunds under Minnesota Statutes, section 289A.40, claims may be filed with the commissioner until June 30, ~~2015~~ 2016.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after April 1, 2009.

Sec. 28. Laws 2014, chapter 308, article 7, section 7, is amended to read:

**Sec. 7. CITY OF LUVERNE LOCAL SALES TAX.**

(a) Notwithstanding Minnesota Statutes, sections 297A.99, 297A.993, and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Luverne may, by ordinance, impose a sales and use tax of up to one-half of one percent for the purposes specified in paragraph (b), if approved by the voters at a general election held prior to December 31, 2020. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

(b) The proceeds of any tax imposed under paragraph (a), less refunds and costs of collection, must be first used by the city to pay ~~debt service on bonds issued~~ the city's local share under Minnesota Statutes, section ~~469.194~~ 477A.20, to fund the Lewis and Clark Regional Water System project. Revenues collected in any calendar year in excess of the city obligation to pay for ~~debt service on bonds issued~~ the city's local share under Minnesota Statutes, section ~~469.194~~ 477A.20, may be retained by the city and used for funding other capital projects within the city.

(c) A tax imposed under paragraph (a) expires when the city's ~~share of bonds~~ local share issued under Minnesota Statutes, section ~~469.194~~ 477A.20, to fund the Lewis and Clark Regional Water System Project has been made, or at an earlier time if approved by the city council. The tax must not terminate before the city council determines that revenues from this tax and any other revenue source the city dedicates are sufficient to pay the city city's local share of ~~debt service on bonds issued~~ under Minnesota Statutes, section ~~469.194~~ 477A.20.

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

**Sec. 29. CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

(a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Marshall may approve Laws 2011, First Special Session chapter 7, article 4, section 14, and file its approval with the secretary of state by June 15, 2013. If approved as authorized under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 6, 2012, and otherwise in accordance with Laws 2011, First Special Session chapter 7, article 4, section 14, are validated.

(b) Notwithstanding the time limit on the imposition of tax under Laws 2011, First Special Session chapter 7, article 4, section 14, and subject to local approval under paragraph (a), the city of Marshall may impose the tax on or before July 1, 2013.

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

**ARTICLE 5****PROPERTY TAX AIDS AND CREDITS**

Section 1. Minnesota Statutes 2014, section 477A.0124, subdivision 4, is amended to read:

Subd. 4. **County tax-base equalization aid.** (a) For 2006 and subsequent years, the money appropriated to county tax-base equalization aid each calendar year, after the payment under paragraph (f), shall be apportioned among the counties according to each county's tax-base equalization aid factor.

(b) A county's tax-base equalization aid factor is equal to the amount by which (i) ~~\$185~~ \$330 times the county's population, exceeds (ii) ~~9.45~~ 12 percent of the county's net tax capacity.

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

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

(e) In the case of a county with a population greater than or equal to 12,500 but less than 16,500, the factor determined in paragraph (b) shall be multiplied by a factor of 1.25.

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

(g) For distributions in 2016, the allocation to a county under paragraphs (a) to (f) shall not be less than 95 percent of the sum of the tax base equalization aid in 2014 plus any supplemental program aid that was distributed to the county under Laws 2014, chapter 308, article 1, section 13. For distributions in 2017 and subsequent years, the allocation to a county under paragraphs (a) to (f) shall not be less than 95 percent of the tax base equalization aid of the county in the prior year.

(h) Beginning with aid payable in 2017, the amount under paragraph (b), item (i), shall be increased by the ratio of the statewide net tax capacity per capita to the statewide net tax capacity per capita in the 2014 assessment year provided that in no case shall the ratio be less than one or the ratio in the prior year, whichever is greater. The amount shall be rounded to the nearest \$10. The statewide taxable market value per capita shall be calculated using the most recent population available for the relevant assessment year at the time of the calculation of the aid by the commissioner under section 477A.014.

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

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

**Sec. 2. [477A.0126] REIMBURSEMENT OF COUNTY AND TRIBES FOR CERTAIN OUT-OF-HOME PLACEMENT.**

Subdivision 1. **Definition.** When used in this section, "out-of-home placement" means 24-hour substitute care for an Indian child as defined by section 260C.007, subdivision 21, placed under

the Indian Child Welfare Act (ICWA) and chapter 260C, away from the child's parent or guardian and for whom the county social services agency or county correctional agency has been assigned responsibility for the child's placement and care, which includes placement in foster care under section 260C.007, subdivision 18, and a correctional facility pursuant to a court order.

Subd. 2. **Determination of nonfederal share of costs.** (a) By January 1, 2016, each county shall report the following information to the commissioners of human services and corrections: (1) the separate amounts paid out of its social service agency and its corrections budget for out-of-home placement of children under the ICWA in calendar years 2012, 2013, and 2014; and (2) the number of case days associated with the expenditures from each budget. By March 15, 2016, the commissioner of human services, in consultation with the commissioner of corrections, shall certify to the commissioner of revenue and to the legislative committees responsible for local government aids and out-of-home placement funding, whether the data reported under this subdivision accurately reflects total expenditures by counties for out-of-home placement costs of children under the ICWA.

(b) By January 1, 2018, and each January 1 thereafter, each county shall report to the commissioners of human services and corrections the separate amounts paid out of its social service agency and its corrections budget for out-of-home placement of children under the ICWA in the calendar years two years before the current calendar year along with the number of case days associated with the expenditures from each budget.

(c) Until the commissioner of human services develops another mechanism for collecting and verifying data on out-of-home placements of children under the ICWA, and the legislature authorizes the use of that data, the data collected under this subdivision must be used to calculate payments under subdivision 3. The commissioner of human services shall certify the information to the commissioner of revenue by July 1 of the year prior to the aid payment.

Subd. 3. **Aid payments to counties.** For aids payable in calendar year 2017 and thereafter, the commissioner of revenue shall reimburse each county for 100 percent of the nonfederal share of the cost of out-of-home placement of children under the ICWA provided the commissioner of human services, in consultation with the commissioner of corrections, certifies to the commissioner of revenue that accurate data is available to make the aid determination under this section. The amount of reimbursement is the county's average nonfederal share of the cost for out-of-home placement of children under the ICWA for the most recent three calendar years for which data is available. The commissioner shall pay the aid under the schedule used for local government aid payments under section 477A.015.

Subd. 4. **Aid payments to tribes.** (a) By January 1, 2016, and each year thereafter, each tribe must certify to the commissioner of revenue the amount of federal reimbursement received by the tribe for out-of-home placement of children under the ICWA for the immediately preceding three calendar years.

(b) The amount of reimbursement to the tribe shall be the greater of: (1) five percent of the average reimbursement amount received from the federal government for out-of-home placement costs for the most recent three calendar years; or (2) \$200,000. The commissioner shall pay the aid under this section under the schedule used for local government aid payments under section 477A.015.

Subd. 5. **Appropriation.** An amount sufficient to pay aid under this section is annually appropriated to the commissioner of revenue from the general fund.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2017.

Sec. 3. Minnesota Statutes 2014, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **Towns and unorganized territories.** In ~~2014~~ 2016 and thereafter, each town and the total area of any unorganized territory within a county is eligible for a distribution under this subdivision equal to the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.0045. As used in this subdivision, the following terms have the meanings given them:

(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town; or unorganized territory divided by the adjusted net tax capacity of all other property located in the town or unorganized territory. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, rural vacant land, and noncommercial seasonal recreational property;

(3) "~~town~~ area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres; located in the case of a township, or 75,000 acres in the case of unorganized territory, available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) ~~the State Land Management Information Center~~ Minnesota Geospatial Information Office;  
or

(iii) the secretary of state; and

(4) "population factor" means the square root of the ~~towns'~~ town's or unorganized territory's population.

If the sum of the aids payable to all towns and unorganized territories under this subdivision exceeds or is less than the limit under section 477A.03, subdivision 2c, the distribution to each town and unorganized territory must be reduced or increased proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 477A.014, subdivision 1, is amended to read:

Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue shall make all necessary calculations and make payments pursuant to sections 477A.013 and 477A.03 directly to the affected taxing authorities annually. In addition, the commissioner shall notify the authorities of their aid amounts, as well as the computational factors used in making the calculations for their authority, and those statewide total figures that are pertinent, before August 1 of the year preceding the aid distribution year. In the case of unorganized territory, the commissioner shall notify the affected county government of the aid amount for any unorganized territory within the county and

make payments of aid payable based on unorganized territory to the county government. The aid received by the county government must be spent in and for the unorganized territory.

(b) For the purposes of this subdivision, aid is determined for a city or town, or unorganized territory based on its city or town, or unorganized territory status as of June 30 of the year preceding the aid distribution year. If the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is on or before June 30 of the year preceding the aid distribution year, such change in boundaries or form of government shall be recognized for aid determinations for the aid distribution year. If the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is after June 30 of the year preceding the aid distribution year, such change in boundaries or form of government shall not be recognized for aid determinations until the following year.

(c) Changes in boundaries or form of government will only be recognized for the purposes of this subdivision, to the extent that: (1) changes in market values are included in market values reported by assessors to the commissioner, and changes in population and household size are included in their respective certifications to the commissioner as referenced in section 477A.011, or (2) an annexation information report as provided in paragraph (d) is received by the commissioner on or before July 15 of the aid calculation year. Revisions to estimates or data for use in recognizing changes in boundaries or form of government are not effective for purposes of this subdivision unless received by the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and data established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under subdivision 3.

(d) In the case of an annexation, an annexation information report may be completed by the annexing jurisdiction and submitted to the commissioner for purposes of this subdivision if the net tax capacity of annexed area for the assessment year preceding the effective date of the annexation exceeds five percent of the city's net tax capacity for the same year. The form and contents of the annexation information report shall be prescribed by the commissioner. The commissioner shall change the net tax capacity, the population, the population decline, the commercial industrial percentage, and the transformed population for the annexing jurisdiction only if the annexation information report provides data the commissioner determines to be reliable for all of these factors used to compute city revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940 housing percentage and household size only if the entire area of an existing city or town, or unorganized territory is annexed or consolidated and only if reliable data is available for all of these factors used to compute city revenue need for the annexing jurisdiction.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 477A.015, is amended to read:

**477A.015 PAYMENT DATES.**

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in ~~two~~ four installments on March 15, July 20 and December 26-15, September 15, and November 15 annually.

When the commissioner of public safety determines that a local government has suffered financial hardship due to a natural disaster, the commissioner of public safety shall notify the commissioner of revenue, who shall make payments of aids under sections 477A.011 to

477A.014, which are otherwise due on ~~December 26~~ November 15, as soon as is practical after the determination is made but not before July 20.

The commissioner may pay all or part of the payments of aids under sections 477A.011 to 477A.014, which are due on ~~December 26~~ November 15 at any time after August 15 if a local government requests such payment as being necessary for meeting its cash flow needs. ~~For aids payable in 2013 only, a city that is located in an area deemed a disaster area during the month of April 2013, as defined in section 12A.02, subdivision 5, shall receive its December 26, 2013 payment with its July 20, 2013 payment.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 477A.017, subdivision 2, is amended to read:

Subd. 2. **State auditor's duties.** The state auditor shall prescribe uniform financial accounting and reporting standards in conformity with national standards to be applicable to cities and towns of more than 2,500 population and uniform reporting standards to be applicable to cities and towns of less than 2,500 population.

**EFFECTIVE DATE.** This section applies to reporting of financial information for years ending on or after December 31, 2015.

Sec. 7. Minnesota Statutes 2014, section 477A.017, subdivision 3, is amended to read:

Subd. 3. **Conformity.** Other law to the contrary notwithstanding, in order to receive distributions under sections 477A.011 to 477A.03, counties and cities, and towns must conform to the standards set in subdivision 2 in making all financial reports required to be made to the state auditor ~~after June 30, 1984.~~

**EFFECTIVE DATE.** This section applies to reporting of financial information for years ending on or after December 31, 2015.

Sec. 8. Minnesota Statutes 2014, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2014, the total aid paid under section 477A.013, subdivision 9, is \$507,598,012. The total aid paid under section 477A.013, subdivision 9, is \$516,898,012 for aids payable in 2015. For aids payable in 2016 ~~and thereafter~~, the total aid paid under section 477A.013, subdivision 9, is ~~\$519,398,012~~ \$540,940,079. For aids payable in 2017 and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$564,982,145.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2014 ~~and thereafter~~ through 2016, the total aid payable under section 477A.0124, subdivision 3, is \$100,795,000. For aids payable in 2017 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is \$102,895,000. Each calendar year, \$500,000 of this appropriation 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. 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 2014 ~~and thereafter~~ through 2016, the total aid under section 477A.0124, subdivision 4, is ~~\$104,909,575~~ \$129,909,575. For aids payable in 2017 and thereafter, the total aid payable under section 477A.0124, subdivision 4, is \$132,509,575. The commissioner of revenue shall transfer to the commissioner of management and budget \$207,000 annually for the cost of preparation of local impact notes as required by section 3.987, and other local government activities. The commissioner of revenue shall transfer to the commissioner of education \$7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 477A.03, subdivision 2c, is amended to read:

Subd. 2c. **Towns and unorganized territories.** For aids payable in ~~2014~~ 2016 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to ~~\$10,000,000~~ \$12,000,000. For aids payable in 2015 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to the amount certified to be paid in the previous year.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** The following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.14. The amounts, based on the acreage as of July 1 of each year prior to the payment year, are:

(1) \$5.133 multiplied by (i) the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater; and (ii) the total number of acres in the county that were purchased by a federally recognized Indian tribe with funding provided under section 97A.056;

(2) \$5.133, multiplied by the total number of acres of transportation wetland or, at the county's option, three-fourths of one percent of the appraised value of all transportation wetland in the county, whichever is greater;

(3) \$5.133, multiplied by the total number of acres of wildlife management land, or, at the county's option, three-fourths of one percent of the appraised value of all wildlife management land in the county, whichever is greater;

(4) 50 percent of the dollar amount as determined under clause (1), multiplied by the number of acres of military refuge land in the county;

(5) ~~\$1.50~~ \$2, multiplied by the number of acres of county-administered other natural resources land in the county;

(6) \$5.133, multiplied by the total number of acres of land utilization project land in the county;

(7) ~~\$1.50~~ \$2, multiplied by the number of acres of commissioner-administered other natural resources land in the county; ~~and~~

(8) without regard to acreage, and notwithstanding the rules adopted under section 84A.55, \$300,000 for local assessments under section 84A.55, subdivision 9, that shall be divided and distributed to the counties containing state-owned lands within a conservation area in proportion to each county's percentage of the total annual ditch assessments; and

(9) without regard to acreage, and notwithstanding the rules adopted under section 84A.55, \$300,000 for past unpaid local assessments under section 84A.55, subdivision 9, shall be distributed to the counties containing state-owned lands within a conservation area in proportion to each county's percentage of the total past unpaid ditch assessments. The payments shall be made for aids payable in calendar years 2015 through 2024. The payments made to counties under this paragraph shall be considered the final payment for this purpose.

~~The commissioner of natural resources shall certify the number of acres and appraised values for wildlife management lands under clause (3) for calendar year 2013 to the commissioner of revenue by June 15, 2014. The commissioner of revenue shall make the payment for any positive difference in the 2013 payment under clause (3) by June 30, 2014.~~

**EFFECTIVE DATE.** Changes to clause (1) are effective for aids payable in calendar year 2017 and thereafter. Changes to clauses (5), (7), and (9) are effective for aids payable in calendar year 2015 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 477A.12, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) Each county auditor shall certify to the Department of Natural Resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The Department of Natural Resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land, wildlife management land, and military refuge land within each county;

(2) the number of acres of commissioner-administered natural resources land within each county;

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources; ~~and~~

(4) the number of acres of land utilization project land within each county; and

(5) the number of acres within each county purchased by a federally recognized Indian tribe with funding provided under section 97A.056.

(b) The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of transportation wetland and the appraised value of the land, but only if it exceeds 500 acres in a county.

(c) Each auditor of a county that contains state-owned lands within a conservation area shall determine and certify to the commissioner of natural resources by May 31 of the payment year, the county's ditch assessments for state-owned lands subject to section 84A.55, subdivision 9. A joint

certification for two or more counties may be submitted to the commissioner of natural resources through the Consolidated Conservation Counties Joint Powers Board. The commissioner of natural resources shall certify the ditch assessments to the commissioner of revenue by June 15 of the payment year. The commissioner of natural resources shall certify the ditch assessments under this paragraph for payment year 2013 by June 15, 2014. The commissioner of revenue shall make the payment for 2013 by June 30, 2014.

(d) The commissioner of revenue shall determine the distributions provided for in this section using: (1) the number of acres and appraised values certified by the commissioner of natural resources and the commissioner of transportation by March 1 of the payment year; and (2) ditch assessments under paragraph (c), by July 15 of the payment year.

**EFFECTIVE DATE.** This section is effective for certifications made in 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 477A.13, is amended to read:

**477A.13 TIME OF PAYMENT, DEDUCTIONS.**

Payments to the counties of the amounts determined under section 477A.12 must be made by the commissioner of revenue from the general fund at the time provided in section 477A.015 for the first second installment of local government aid.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 477A.15, is amended to read:

**477A.15 TACONITE AID REIMBURSEMENT.**

Any school district in which is located property which had been entitled to a reduction of tax pursuant to Minnesota Statutes 1978, section 273.135, subdivision 2, clause (c), shall receive in 1981 and subsequent years an amount equal to the amount it received in 1980 pursuant to Minnesota Statutes 1978, section 298.28, subdivision 1, clause (3)(b). Payments shall be made pursuant to this section and section 126C.48, subdivision 8, paragraph (5), by the commissioner of revenue to the taxing jurisdictions on the date in each calendar year when the first second installment is paid under section 477A.015.

**EFFECTIVE DATE.** This section is effective for payments made in calendar year 2016 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 477A.20, is amended to read:

**477A.20 DEBT SERVICE AID; LEWIS AND CLARK JOINT POWERS BOARD CITY OF WORTHINGTON.**

(a) ~~The Lewis and Clark Joint Powers Board~~ The city of Worthington is eligible to receive an aid distribution under this section equal to (1) the principal and interest payable in the succeeding calendar year for bonds issued under section 469.194 minus ~~the sum of~~ (2) ~~the combined adjusted net tax capacity of Rock County and Nobles County for the assessment year prior to the aid payable year multiplied by 1.5 percent and~~ (3) 50 percent of any federal aid received to fund the project ~~in the calendar year~~ the total local share. For purposes of this section, the "total local share" is as follows: the city of Worthington shall pay \$300,000, the city of Luverne shall pay \$100,000, Rock County shall pay \$50,000, and Nobles County shall pay \$50,000. Each municipality other than the

city of Worthington shall pay the amount indicated to the city of Worthington by July 1 of the year following the year in which the bonds were issued and in each year thereafter until all principal and interest has been paid. If a jurisdiction fails to pay the amount as indicated, the aid reductions for that municipality under section 477A.21 shall be made. The commissioner of revenue shall add the amount of any aid reduction to the aid distribution under this section. The Board city of Worthington shall certify to the commissioner of revenue any federal aid allocated to the project for the calendar year and the principal and interest due in the succeeding calendar year by June 1 of the aid payable year. The commissioner of revenue shall calculate the aid payable under this section and certify the amount payable before July 1 of the aid distribution year. The commissioner shall pay the aid under this section to the board city of Worthington at the times specified for payments of local government aid in section 477A.015. An amount sufficient to pay the state aid authorized under this section is annually appropriated to the commissioner from the general fund.

(b) The board must allocate the aid to the municipalities issuing bonds under section 469.194 in proportion to their principal and interest payments.

(c) If the deduction under paragraph (a), clause (3), eliminates the aid payment under this section in a calendar year, then the excess of the deduction must be carried over and used to reduce the principal and interest in the succeeding year or years used to calculate aid under paragraph (a).

(d) If federal grants and aid received for the project, not deducted under paragraph (a), clause (3), exceed the total debt service payments for bonds issued under section 469.194, other than payments made with state aid under this section, the joint powers board must repay any excess to the commissioner of revenue for deposit in the general fund. The repayment may not exceed the sum of state aid payments under this section and any other grants made by the state for the project.

(e) (b) This section expires at the earlier of January 1, 2039, or when the bonds authorized under section 469.194 have been paid or defeased.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

**Sec. 16. [477A.21] AID REDUCTIONS.**

If a municipality fails to pay the amount indicated in section 477A.20, paragraph (a), the following aid reduction for that municipality must be made for that year:

(1) for the city of Luverne, the aid payable under section 477A.013, subdivision 9, shall be reduced by \$100,000;

(2) for Rock County, the aid payable under section 477A.0124, subdivision 3, shall be reduced by \$50,000; and

(3) for Nobles County, the aid payable under section 477A.0124, subdivision 3, shall be reduced by \$50,000.

The amount of the aid reductions under this section shall cancel to the general fund.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

Sec. 17. Laws 2001, First Special Session chapter 5, article 3, section 86, is amended to read:

Sec. 86. **RED RIVER WATERSHED MANAGEMENT BOARD; PAYMENT IN LIEU OF TAXES.**

(a) The Red River watershed management board may spend money from its general fund to compensate counties and townships for lost tax revenue from land that becomes tax exempt after it is acquired by the board or a member watershed district for flood damage reduction project. The amount that may be paid under this section to a county or township must not exceed the tax that was payable to that taxing jurisdiction on the land in the last taxes payable year before the land became exempt due to the acquisition, not to exceed \$4 \$5.133 per acre, multiplied by 20. This total amount may be paid in one payment, or in equal annual installments over a period that does not exceed 20 years. A member watershed district of the Red River management board may spend money from its construction fund for the purposes described in this section.

(b) For the purposes of this section, "Red River watershed management board" refers to the board established by Laws 1976, chapter 162, section 1, as amended by Laws 1982, chapter 474, section 1, Laws 1983, chapter 338, section 1, Laws 1989 First Special Session chapter 1, article 5, section 45, Laws 1991, chapter 167, section 1, and Laws 1998, chapter 389, article 3, section 29.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2015 and thereafter.

**Sec. 18. 2013 CITY AID PENALTY FORGIVENESS; CITY OF OSLO.**

Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of Oslo shall receive the portion of its aid payment for calendar year 2013 under Minnesota Statutes, section 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar year 2012 by December 31, 2013. The commissioner of revenue shall make a payment of \$37,473.50 with the first payment of aids under Minnesota Statutes, section 477A.015. \$37,473.50 is appropriated from the general fund to the commissioner of revenue in fiscal year 2016 to make this payment.

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

**Sec. 19. 2014 AID PENALTY FORGIVENESS.**

(a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the cities of Dundee, Jeffers, and Woodstock shall receive all of its calendar year 2014 aid payment that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that the city complied with all reporting requirements under Minnesota Statutes, section 477A.017, subdivision 3, for calendar years 2013 and 2014 by June 1, 2015.

(b) The commissioner of revenue shall make payment to each city no later than June 30, 2015. Up to \$101,570 of the fiscal year 2015 appropriation for local government aid is available for the payment under this section.

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

## ARTICLE 6

### WORKFORCE HOUSING

**Section 1. [116J.549] WORKFORCE HOUSING TAX CREDIT.**

**Subdivision 1. Definitions.** (a) For the purposes of this section, the following terms have the meanings given.

(b) "City" means a statutory or home rule charter city.

(c) "Eligible project area" means an area that meets the following criteria:

(1) a census block with a population density over 200 persons per square mile according to the most recent United States census data available;

(2) located in a city with a population greater than 1,500;

(3) having a median number of full-time jobs of at least 500 for the last five years;

(4) the average vacancy rate for rental housing located in the municipality and in any statutory or home rule charter city located within 15 miles or less of the boundaries of the municipality has been four percent or less for at least the immediately preceding two-year period;

(5) located in an area served by a joint county-city economic development authority or located in an area outside the following counties: Anoka, Benton, Carver, Chisago, Dakota, Hennepin, Isanti, Olmsted, Ramsey, Scott, Sherburne, Stearns, Washington, and Wright; and

(6) fewer than four market rate residential rental units per 1,000 residents were constructed in the city in the last ten years without government financing, grants, or other subsidies, other than subsidies under this section or section 469.175, subdivision 3.

(d) "Joint county-city economic development authority" means an economic development authority, formed under Laws 1988, chapter 516, section 1, as a joint partnership between a city and county and excluding those established by the county only.

(e) "Market rate residential rental properties" means properties that are rented at market value and excludes: (1) properties constructed with financial assistance requiring the property to be occupied by residents that meet income limits under federal or state law of initial occupancy; and (2) properties constructed with federal, state, or local flood recovery assistance, regardless of whether that assistance imposed income limits as a condition of receiving assistance.

(f) "Officer" means a person elected or appointed by the board of directors to manage the daily operations of a business.

(g) "Principal" means a person having authority to act on behalf of a business.

(h) "Qualified investment" means a cash investment or the fair market value equivalent for common stock, land, a partnership or membership interest, preferred stock, debt with mandatory conversion to equity, or an equivalent ownership interest as determined by the commissioner that is made in a qualified workforce housing project.

(i) "Qualified project investor" means an investor who has been certified by the commissioner under subdivision 2.

(j) "Qualifying workforce housing project" means a project:

(1) for market rate residential rental properties with a minimum of three dwelling units;

(2) with a cost per unit of no more than \$150,000 and no less than \$75,000;

(3) located in an eligible project area;

(4) that has more than 50 percent nonstate funding proposed to fund the project; and

(5) that has been designated by the commissioner as a qualifying workforce housing project.

Subd. 2. **Qualified project investor tax credits.** (a) A credit of up to \$1,000,000 is allowed against the tax imposed under chapter 290 for a taxpayer that makes a qualified investment in a qualified workforce housing project equal to 33 percent of the amount of the qualified investment.

(b) The credit under this subdivision is allowed in the taxable year that the qualified workforce housing project has housing units that are certified for occupancy by the Department of Labor and Industry or a city inspector.

(c) The commissioner must not allocate more than \$5,000,000 in credits to qualified project investors for taxable years beginning after December 31, 2015, and before January 1, 2017, and must not allocate more than \$7,000,000 in credits to qualified project investors for taxable years beginning after December 31, 2016, and before January 1, 2022. The commissioner must not allocate more than 33 percent of qualified project investor tax credits to the same qualified workforce housing project.

(d) Applications for tax credits for a taxable year must be made available by the commissioner by November 1 of the prior calendar year. The commissioner must make every effort to provide applications and relevant data to applicants in a simple, concise manner using plain language. Tax credits must be allocated to qualified project investors in the order that the tax credit request applications are filed, except where the commissioner determines the investment is circumventing the spirit of the law or where little or no local economic growth would occur as a result of the investment. The commissioner must approve or reject a tax credit request application within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credit. If the investment is not made within 60 days, the credit allocation is canceled. A qualified project investor who fails to invest as specified in the application must notify the commissioner immediately and no later than five business days after the expiration of the 60-day investment period. The commissioner may require an application fee for the applications submitted under this subdivision.

(e) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified project investors file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified project investors who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified project investor is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified project investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(f) If a credit allocation has been granted to the qualified project investor and the qualified project investor has made the investment specified in the application as required under paragraph (d), the commissioner must issue a credit certificate to the taxpayer designated in the application. The credit certificate must state the amount of the credit. The commissioner must notify the commissioner of revenue of credit certificates issued under this subdivision.

(g) The commissioner of revenue shall prescribe the manner in which the credit may be issued or claimed.

Subd. 3. **Transfer and revocation of credits.** (a) A tax credit under this section is not transferable to any other taxpayer. Credits passed through to partners, members, shareholders, or owners are not considered transfers for purposes of this subdivision.

(b) If the commissioner discovers that a qualified project investor did not meet the eligibility requirements for the tax credits under this section after the credits have been allocated, the commissioner may determine that credit allocated is revoked and must be repaid by the investor. The commissioner must notify the commissioner of revenue of every credit revoked and subject to full or partial repayment under this section.

Subd. 4. **Reporting.** Beginning in 2017, the commissioner must annually report by March 15 to the chairs and ranking minority members of the committees in the senate and house of representatives with jurisdiction over taxes and economic development, in compliance with sections 3.195 and 3.197, on tax credits issued under this section. The report must include:

- (1) information about the availability of workforce housing in greater Minnesota;
- (2) information from employers and communities in greater Minnesota about whether or not workforce housing needs are being met;
- (3) which projects have been funded by the workforce housing tax credit and whether previously funded projects have created economic growth;
- (4) any suggested legislation to accelerate construction of workforce housing;
- (5) the number and amount of tax credits issued and the identity of the recipients;
- (6) the number and amount of tax credits revoked under subdivision 3;
- (7) the location, total cost of, and expected rent to be received as a result of qualifying workforce housing projects funded under this section; and
- (8) any other relevant information needed to evaluate the effect of the workforce housing tax credits.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015.

Sec. 2. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 38. **Workforce housing tax credit.** (a) A taxpayer is allowed a credit against the tax under this chapter equal to the amount certified by the commissioner of employment and economic development under section 116J.549 to the taxpayer for the taxable year.

(b) Credits allowed to a partnership, limited liability company taxed as a partnership, corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on that person's share of the entity's income for the taxable year.

(c) If the amount of the credit that the taxpayer is eligible to receive under this subdivision exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the taxpayer. For purposes of this subdivision, "liability for tax" means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2015.

Sec. 3. Minnesota Statutes 2014, section 469.174, subdivision 12, is amended to read:

Subd. 12. **Economic development district.** "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; ~~or~~

(2) it will result in increased employment in the state; ~~or~~

(3) it will result in preservation and enhancement of the tax base of the state; or

(4) it satisfies the requirements of a workforce housing project under section 469.176, subdivision 4c, paragraph (d).

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 4. Minnesota Statutes 2014, section 469.175, subdivision 3, is amended to read:

Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, paragraph (b), if applicable.

(c) When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

(d) For a district that is subject to the requirements of paragraph (b), clause (2), item (ii), the municipality's statement of reasons and supporting facts must include all of the following:

(1) an estimate of the amount by which the market value of the site will increase without the use of tax increment financing;

(2) an estimate of the increase in the market value that will result from the development or redevelopment to be assisted with tax increment financing; and

(3) the present value of the projected tax increments for the maximum duration of the district permitted by the tax increment financing plan.

(e) For purposes of this subdivision, "site" means the parcels on which the development or redevelopment to be assisted with tax increment financing will be located.

(f) Before or at the time of approval of the tax increment financing plan for a district to be used to fund a workforce housing project under section 469.176, subdivision 4c, paragraph (d), the municipality shall make the following findings and shall set forth in writing the reasons and supporting facts for each determination:

(1) the city has a population greater than 1,500;

(2) having a median number of full-time jobs of at least 500 for the last five years;

(3) located in a census block with a population density over 200 persons per square mile, according to the most recent United States census data available;

(4) located in an area served by a joint county-city economic development authority or outside the following counties: Anoka, Benton, Carver, Chisago, Dakota, Hennepin, Isanti, Olmsted, Ramsey, Scott, Sherburne, Stearns, Washington, and Wright;

(5) the average vacancy rate for rental housing located in the municipality, and in any statutory or home rule charter city located within 15 miles or less of the boundaries of the municipality, has been four percent or less for at least the immediately preceding two-year period;

(6) at least one business located in the municipality, or within 15 miles of the municipality, that employs a minimum of 20 full-time equivalent employees in aggregate has provided a written statement to the municipality indicating that the lack of available rental housing has impeded their ability to recruit and hire employees;

(7) fewer than four market rate residential rental units per 1,000 residents were constructed in the city in the last ten years without government financing, grants, or other subsidies, other than subsidies under this section; and

(8) the municipality and the development authority intend to use increments from the district for the development of market rate residential rental properties and includes new modular homes or new manufactured homes, new manufactured homes on leased land, or in a manufacturer's home park to serve employees or businesses located in the municipality or surrounding area.

For purposes of this section: (1) "joint county-city economic development authority" means an economic development authority, formed under Laws 1988, chapter 516, section 1, as a joint partnership between a city and county and excluding those established by the county only; and (2) "market rate residential rental properties" means properties that are rented at market value and excludes: (i) properties constructed with financial assistance requiring the property to be occupied by residents that meet income limits under federal or state law of initial occupancy; and (ii) properties constructed with federal, state, or local flood recovery assistance, regardless of whether that assistance imposed income limits as a condition of receiving assistance.

The authority to request certification of districts under this section expires June 30, 2020.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 5. Minnesota Statutes 2014, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; ~~or~~

(6) space necessary for and related to the activities listed in clauses (1) to (5); or

(7) a workforce housing project that satisfies the requirements of paragraph (d).

(b) Notwithstanding the provisions of this subdivision, revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a small city, if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

(c) A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

(d) A project qualifies as a workforce housing project under this subdivision if increments from the district are used exclusively to assist in the acquisition of property; construction of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments in the municipality, and if the governing body of the municipality made the findings for the project required by section 469.175, subdivision 3, paragraph (f).

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 469.1761, is amended by adding a subdivision to read:

**Subd. 5. Income limits; Minnesota Housing Finance Agency challenge program.** For a project receiving a loan or grant from the Minnesota Housing Finance Agency challenge program under section 462A.33, the income limits under section 462A.33 are substituted for the applicable income limits under subdivision 2 or 3 for the project.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2015.

## ARTICLE 7

### MINERALS

Section 1. Minnesota Statutes 2014, section 298.17, is amended to read:

#### **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

(a) All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of

the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

(b) Of the money apportioned to the general fund by this section: (1) there is annually appropriated and credited to the mining environmental and regulatory account in the special revenue fund an amount equal to the greater of \$1,500,000 or that which would have been generated by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Money in the mining environmental and regulatory account is appropriated annually to the commissioner of natural resources to fund agency staff to work on environmental issues and provide regulatory services for ferrous and nonferrous mining operations in this state. Payment to the mining environmental and regulatory account shall be made by on July 1 annually. The commissioner of natural resources shall execute an interagency agreement with the Pollution Control Agency to assist with the provision of environmental regulatory services such as monitoring and permitting required for ferrous and nonferrous mining operations; (2) there is annually appropriated and credited to the Iron Range Resources and Rehabilitation Board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22; ~~and~~ (3) there is annually appropriated and credited to the Iron Range Resources and Rehabilitation Board account in the special revenue fund for transfer to the Iron Range school consolidation and cooperatively operated school account under section 298.28, subdivision 7a, an amount equal to that which would have been generated by a six cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the Iron Range Resources and Rehabilitation Board account shall be made by May 15 on July 1 annually; and (4) there is annually appropriated and credited to the Iron Range Resources and Rehabilitation Board account in the special revenue fund for transfer to the energy efficiency and mining protection account under section 298.227, paragraph (d), an amount equal to that which would have been generated by a 15 cent tax imposed by section 298.24 on each taxable ton produced in the preceding year. Payment to the Iron Range Resources and Rehabilitation Board account shall be made on July 1 annually.

(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the Iron Range Resources and Rehabilitation Board regarding the loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be made by May 15 on July 1 annually.

(d) Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission.

**EFFECTIVE DATE.** This section is effective beginning with the 2015 production year.

Sec. 2. Minnesota Statutes 2014, section 298.227, is amended to read:

**298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

(a) An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose beginning with distributions in 2014. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by the board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a producer uses money which has been released from the fund prior to May 26, 2007 to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

(b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of distributions and the review process, an amount equal to ten cents per taxable ton of production in 2007, for

distribution in 2008 only, that would otherwise be distributed under paragraph (a), may be used for a loan or grant for the cost of providing for a value-added wood product facility located in the taconite tax relief area and in a county that contains a city of the first class. This amount must be deducted from the distribution under paragraph (a) for which a matching expenditure by the producer is not required. The granting of the loan or grant is subject to approval by the board. If the money is provided as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213, subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the taconite environment protection fund under sections 298.222 to 298.225. If a loan or grant is not made under this paragraph by July 1, 2012, the amount that had been made available for the loan under this paragraph must be transferred to the taconite environment protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the fund established under this section that exceeds ten cents per ton is available to qualifying producers under paragraph (a) on a pro rata basis.

(c) Repayment or transfer of money to the taconite environmental protection fund under paragraph (b), item (ii), must be allocated by the Iron Range Resources and Rehabilitation Board for public works projects in house legislative districts in the same proportion as taxable tonnage of production in 2007 in each house legislative district, for distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph do not require approval by the governor. For purposes of this paragraph, "house legislative districts" means the legislative districts in existence on May 15, 2009.

(d) An amount equal to that determined under section 298.17, paragraph (b), clause (4), shall be held by the Iron Range Resources and Rehabilitation Board in a separate energy efficiency and mining protection account within the taconite economic development fund that is hereby created for taconite and direct reduced ore producers. Funds from the account shall be released annually by the Iron Range Resources and Rehabilitation Board to each producer in direct proportion to the amount of the tax paid by that producer in the preceding year under section 298.01, as compared to the total amount of tax paid under section 298.01 in the preceding year by all producers, provided that a producer shall not be eligible for a distribution in amount greater than the amount of the tax paid in the preceding year. No expenditure under this section shall be paid unless approved by seven members of the Iron Range Resources and Rehabilitation Board.

Notwithstanding any other law to the contrary, any amount allocated to the energy efficiency and mining protection account does not cancel nor is eligible for transfer to another account or fund.

**EFFECTIVE DATE.** This section is effective beginning with the 2015 production year.

Sec. 3. Minnesota Statutes 2014, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced therefrom. The tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject

to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, ~~2008~~ 2020.

**EFFECTIVE DATE.** This section is effective for taxes based on concentrate produced in 2015 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 298.24, is amended by adding a subdivision to read:

Subd. 5. **TEDF; deposits redirected.** (a) For concentrates produced by a plant subject to a reimbursement agreement dated September 9, 2008, by and among Itasca County, Essar Global Limited, and Minnesota Steel Industries LLC, the provisions of sections 298.227 and 298.28, subdivision 9a, do not apply to the plant's production.

(b) All amounts not deposited in the taconite economic development fund as a result of paragraph (a) must be deposited in the Douglas J. Johnson economic protection trust fund created under section 298.292.

(c) The provisions of this subdivision expire upon certification by the commissioner of employment and economic development that all requirements of the reimbursement agreement, as specified in paragraph (a), are satisfied.

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

Sec. 5. Minnesota Statutes 2014, section 298.28, subdivision 3, is amended to read:

Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph,

"assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to (1) towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b); and (2) the following unorganized territories located in St. Louis County: 56-17; 58-22; 59-16; 59-21; 60-18; and 60-19. For distribution in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available ~~under this paragraph will be~~ to towns shall be distributed to eligible towns on a per capita basis, provided that no town may receive more than \$50,000 in any year under this paragraph. Any amount of the distribution that exceeds the \$50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed \$50,000. The amount available to unorganized territories in St. Louis County may be held by the county and combined for public infrastructure projects.

**EFFECTIVE DATE.** This section is effective beginning with the 2015 production year.

Sec. 6. Minnesota Statutes 2014, section 298.28, subdivision 7a, is amended to read:

Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.** The following amounts must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in the Iron Range school consolidation and cooperatively operated school account that is hereby created:

(1)(i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax imposed under section 298.24; and (ii) for distributions beginning in 2024, five cents per taxable ton of the tax imposed under section 298.24;

(2) the amount as determined under section 298.17, paragraph (b), clause (3);

(3)(i) for distributions in 2015, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund;

(ii) for distributions in 2016, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and

(iii) for distributions in 2017 and thereafter, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and

(4) any other amount as provided by law.

Expenditures from this account shall be made only to provide disbursements to assist school districts with the payment of bonds that were issued for qualified school projects, or for any other school disbursement as approved by the Iron Range Resources and Rehabilitation Board. For

purposes of this section, "qualified school projects" means school projects within the taconite assistance area as defined in section 273.1341, that were (1) approved, by referendum, after April 3, 2006; and (2) approved by the commissioner of education pursuant to section 123B.71.

Beginning in fiscal year 2019, the disbursement to school districts for payments for bonds issued under section 123A.482, subdivision 9, must be increased each year to offset any reduction in debt service equalization aid that the school district qualifies for in that year, under section 123B.53, subdivision 6, compared with the amount the school district qualified for in fiscal year 2018.

No expenditure under this section shall be made unless approved by seven members of the Iron Range Resources and Rehabilitation Board.

**EFFECTIVE DATE.** This section is effective for distributions beginning in 2016 and thereafter.

## ARTICLE 8

### ELECTRIC GENERATION MACHINERY

Section 1. Minnesota Statutes 2014, section 216B.1621, subdivision 2, is amended to read:

Subd. 2. **Commission approval.** (a) The commission shall approve an agreement under this section upon finding that:

~~(1) the proposed electric service power generation facility could reasonably be expected to qualify for a market value exclusion under section 272.0211;~~

~~(2) (1) the public utility has a contractual option to purchase electric power from the proposed facility; and~~

~~(3) (2) the public utility can use the output from the proposed facility to meet its future need for power as demonstrated in the most recent resource plan filed with and approved by the commission under section 216B.2422.~~

(b) Sections 216B.03, 216B.05, 216B.06, 216B.07, 216B.16, 216B.162, and 216B.23 do not apply to an agreement under this section.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 216B.164, subdivision 2a, is amended to read:

Subd. 2a. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "Aggregated meter" means a meter located on the premises of a customer's owned or leased property that is contiguous with property containing the customer's designated meter.

(c) "Capacity" means the number of megawatts alternating current (AC) at the point of interconnection between a distributed generation facility and a utility's electric system.

(d) "Cogeneration" means a combined process whereby electrical and useful thermal energy are produced simultaneously.

(e) "Contiguous property" means property owned or leased by the customer sharing a common border, without regard to interruptions in contiguity caused by easements, public thoroughfares, transportation rights-of-way, or utility rights-of-way.

(f) "Customer" means the person who is named on the utility electric bill for the premises.

(g) "Designated meter" means a meter that is physically attached to the customer's facility that the customer-generator designates as the first meter to which net metered credits are to be applied as the primary meter for billing purposes when the customer is serviced by more than one meter.

(h) "Distributed generation" means a facility that:

(1) has a capacity of ten megawatts or less;

(2) is interconnected with a utility's distribution system, over which the commission has jurisdiction; and

(3) generates electricity from natural gas, renewable fuel, or a similarly clean fuel, and may include waste heat, cogeneration, or fuel cell technology.

(i) "High-efficiency distributed generation" means a distributed energy facility that has a minimum efficiency of 40 percent, as calculated under Minnesota Statutes 2014, section 272.0211, subdivision 1.

(j) "Net metered facility" means an electric generation facility constructed for the purpose of offsetting energy use through the use of renewable energy or high-efficiency distributed generation sources.

(k) "Renewable energy" has the meaning given in section 216B.2411, subdivision 2.

(l) "Standby charge" means a charge imposed by an electric utility upon a distributed generation facility for the recovery of costs for the provision of standby services, as provided for in a utility's tariffs approved by the commission, necessary to make electricity service available to the distributed generation facility.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016 and thereafter.

Sec. 3. Minnesota Statutes 2014, section 216B.2424, subdivision 5, is amended to read:

Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4, that operates a nuclear-powered electric generating plant within this state must construct and operate, purchase, or contract to construct and operate (1) by December 31, 1998, 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop biomass scheduled to be operational by December 31, 2001; and (2) by December 31, 1998, an additional 75 megawatts of installed capacity so generated scheduled to be operational by December 31, 2002.

(b) Of the 125 megawatts of biomass electricity installed capacity required under this subdivision, no more than 55 megawatts of this capacity may be provided by a facility that uses poultry litter as its primary fuel source and any such facility:

(1) need not use biomass that complies with the definition in subdivision 1;

(2) must enter into a contract with the public utility for such capacity, that has an average purchase price per megawatt hour over the life of the contract that is equal to or less than the average purchase price per megawatt hour over the life of the contract in contracts approved by the Public Utilities Commission before April 1, 2000, to satisfy the mandate of this section, and file that contract with the Public Utilities Commission prior to September 1, 2000; and

(3) must schedule such capacity to be operational by December 31, 2002.

(c) Of the total 125 megawatts of biomass electric energy installed capacity required under this section, no more than 75 megawatts may be provided by a single project.

(d) Of the 75 megawatts of biomass electric energy installed capacity required under paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by a St. Paul district heating and cooling system cogeneration facility utilizing waste wood as a primary fuel source. The St. Paul district heating and cooling system cogeneration facility need not use biomass that complies with the definition in subdivision 1.

(e) The public utility must accept and consider on an equal basis with other biomass proposals:

(1) a proposal to satisfy the requirements of this section that includes a project that exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and that proposes to sell the excess capacity to the public utility or to other purchasers; and

(2) a proposal for a new facility to satisfy more than ten but not more than 20 megawatts of the electrical generation requirements by a small business-sponsored independent power producer facility to be located within the northern quarter of the state, which means the area located north of Constitutional Route No. 8 as described in section 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped wood, or brush to generate electricity. A facility described in this clause is not required to utilize biomass complying with the definition in subdivision 1, but must be under construction by December 31, 2005.

(f) If a public utility files a contract with the commission for electric energy installed capacity that uses poultry litter as its primary fuel source, the commission must do a preliminary review of the contract to determine if it meets the purchase price criteria provided in paragraph (b), clause (2). The commission shall perform its review and advise the parties of its determination within 30 days of filing of such a contract by a public utility. A public utility may submit by September 1, 2000, a revised contract to address the commission's preliminary determination.

(g) The commission shall finally approve, modify, or disapprove no later than July 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the mandate set forth in this subdivision.

(h) If a public utility subject to this section exercises an option to increase the generating capacity of a project in a contract approved by the commission prior to April 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the commission by September 1, 2000, that it has exercised the option and include in the notice the amount of additional megawatts to be generated under the option exercised. Any review by the commission of the project after exercise of such an option shall be based on the same criteria used to review the existing contract.

~~(i) A facility specified in this subdivision qualifies for exemption from property taxation under section 272.02, subdivision 45.~~

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 272.02, subdivision 9, is amended to read:

Subd. 9. **Personal property; exceptions.** Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric ~~generating~~, transmission; or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, ~~or as part of an electric generation system.~~ For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property. The real or personal property of an electric generation system is not eligible for an exemption under this section.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed

an application. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The commissioner shall develop an electronic means to notify interested parties when the commissioner has issued an order exempting property from taxation under this subdivision. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 6. **[273.129] ELECTRIC GENERATION MACHINERY; VALUATION.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms having the meanings given.

(b) "Biomass generating system" means any device used to produce energy by the direct combustion of carbon-based organisms.

(c) "Coal generating system" means any device whose primary purpose is the production of electricity derived by the direct combustion of coal to produce steam.

(d) "Electric generation machinery" means all personal property of an electric generation system, excluding solar energy generating systems and wind energy conversion systems, used for the purpose of generating electricity.

(e) "Generation capacity" means the generation rate per megawatt as follows:

(1) \$0 for hydroelectric generating systems;

(2) \$5,000 for machinery used to generate electricity from biomass, natural gas, or nuclear fuel generation systems; and

(3) \$10,000 for machinery used to generate electricity from a coal or oil generation system or any other fossil fuel.

(f) "Generation rate" means the rate per kilowatt hour as follows:

(1) \$.05 for hydroelectric generating systems;

(2) \$.0525 for machinery used to generate electricity from biomass, natural gas, or nuclear fuel generation systems; and

(3) \$.055 for machinery used to generate electricity from a coal or oil generation system or any other fossil fuel.

(g) "Hydroelectric generating system" means any device whose primary purpose is the production of electricity derived from flowing water.

(h) "Nameplate capacity" means the maximum rated output of a generator, prime mover, or other electric power production equipment under specific conditions designated by the manufacturer.

(i) "Natural gas generating system" means any device whose primary purpose is the production of electricity derived from natural gas.

(j) "Nuclear fuel generating system" means any device whose primary purpose is the production of electricity generated by the use of the thermal energy released from the fission of nuclear fuel in a reactor.

(k) "Oil generating system" means any device whose primary purpose is the production of electricity derived by direct combustion of oil to produce steam.

(l) "Primary fuel source" means the fuel source that is dominantly used by a facility in the production of electricity.

(m) "Spent fuel" means fuel that has been irradiated in a nuclear reactor to the point where it is no longer useful in sustaining a nuclear reaction.

(n) "Spent fuel tax base" means \$150,000,000 per facility plus \$100,000 per ton of spent fuel of a nuclear generating facility.

Subd. 2. **Rates; adjustment.** The generation and capacity rates as provided in subdivision 1, paragraphs (e) and (f), shall be increased annually by an amount equal to the percentage change in the retail price of electricity for the residential sector in Minnesota for the prior year as reported by the U.S. Energy Information Administration.

Subd. 3. **Electric generation tax base.** (a) The commissioner shall annually calculate the electric generation tax base under this section. An electric generating system with a capacity of one megawatt or less as determined under subdivision 4 shall be exempt from the provisions of this section. The commissioner shall calculate the electric generation tax base using the applicable capacity and generation rate based on the electric generation system's primary fuel source.

(b) The electric generation tax base for property described in subdivision 1 is equal to the sum of: (1) its nameplate capacity multiplied by its generation capacity rate; (2) the average of its electric energy production as reported to the commissioner of revenue for the immediately preceding five years, multiplied by its generation rate; and (3) its spent fuel tax base. For electric generating systems that have been operational for less than the immediately preceding five years, the average of its electric energy production shall be the average of its electric energy production for the time period since the facility commenced operation.

(c) For purposes of a levy based on market value, the electric generation tax base shall become part of the jurisdiction's market value tax base. For all levies based on net tax capacity, the electric generation tax base multiplied by two percent shall be added to the jurisdiction's net tax capacity base.

Subd. 4. **Electric generating systems; size.** The total capacity of an electric generating system, pursuant to this section, shall be determined by combining all generators of each fuel type within each facility, based on the information reported to the commissioner of revenue as required under subdivision 5.

Subd. 5. **Generating systems; reports.** An owner of an electric generating system shall file a report with the commissioner of revenue annually on or before February 1 detailing: (1) the amount of electricity that was produced by each generator in the previous calendar year as reported to the U.S. Energy Information Administration; and (2) the location, length, and capacity of all

transmission and distribution lines. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the electric generation tax base. If an owner of an electric generating system fails to file the report by the due date, the commissioner of revenue shall determine the electric generation tax base based upon the nameplate capacity of the system multiplied by a capacity factor of 100 percent.

**EFFECTIVE DATE.** This section is effective for assessment year 2016.

Sec. 7. Minnesota Statutes 2014, section 273.13, subdivision 24, is amended to read:

Subd. 24. **Class 3.** Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a classification rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced classification rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value classification rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the classification rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier classification rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) All personal property that is: (i) part of an electric ~~generation~~, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), and all railroad operating property has a classification rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, ~~and implements, and machinery~~ of an electric ~~generation~~, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a classification rate as provided under clause (1) for the remaining market value in excess of the first tier.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016.

Sec. 8. Minnesota Statutes 2014, section 273.37, subdivision 1, is amended to read:

Subdivision 1. **Listing and assessment where situated.** (a) Personal property of electric light and power companies, and other individuals and partnerships supplying electric light and power,

having a fixed situs outside of the corporate limits of cities shall be listed and assessed in the district where situated, except as otherwise provided.

(b) Notwithstanding any other law to the contrary, the nonoperating property, and operating real property of electric light and power companies that is part of an electric generation system, shall be listed and assessed by the local or county assessor.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 9. **[477A.21] ELECTRIC GENERATION PROPERTY TRANSITION AID.**

Subdivision 1. **Definitions.** For the purposes of this section, "local unit" means a home rule charter or statutory city, county, or a town.

Subd. 2. **Aid eligibility; payment.** For aids payable in 2017 and thereafter, transition aid under this section for an eligible local unit equals: (1) the net tax capacity of all personal property of all electric generating systems as determined for assessment year 2015 multiplied by the 2015 local tax rate; minus (2) the net tax capacity in the current year of all electric generating systems as determined under section 273.129, multiplied by the current local tax rate. Aid to a local unit shall cease beginning in the year following the year in which the aid equals zero. Once a local unit becomes ineligible for aid under this section, it may not subsequently become eligible.

The commissioner of revenue shall compute the amount of transition aid payable to each local unit under this section. On or before August 1 of each year, the commissioner shall certify the amount of transition aid computed for aids payable in the following year for each recipient local unit. The commissioner shall pay transition aid to local units annually at the time provided for the second installment of local government aid under section 477A.015.

The commissioner of revenue may require counties to provide any data that the commissioner deems necessary to administer this section.

Subd. 3. **Appropriation.** An amount sufficient to pay transition aid under this section is annually appropriated to the commissioner of revenue from the general fund.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2017.

Sec. 10. **REPEALER.**

Minnesota Statutes 2014, sections 272.02, subdivisions 29, 33, 41, 44, 45, 47, 52, 54, 55, 56, 68, 69, 70, 71, 80, 84, 89, 92, 93, 96, and 99; 272.0211, are repealed.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2016 and thereafter.

## ARTICLE 9

### RAILROAD RECODIFICATION

Section 1. Minnesota Statutes 2014, section 270.80, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The following words and phrases when used in sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719, unless the context clearly indicates otherwise, have the meanings ascribed to them in this section.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 270.80, subdivision 2, is amended to read:

Subd. 2. **Railroad company.** "Railroad company" means:

(1) any company which as a common carrier operates a railroad or a line or lines of ~~railway~~ railroad situated within or partly within Minnesota; or

(2) any company owning or operating, other than as a common carrier, a railway principally used for transportation of taconite concentrates from the plant at which the taconite concentrates are produced in shipping form to a point of consumption or port for shipment beyond the state; or

(3) any company that produces concentrates from taconite and transports that taconite in the course of the concentrating process and before the concentrating process is completed to a concentrating plant located within the state over a railroad that is not a common carrier and ~~shall~~ does not use a common carrier or taconite railroad company as defined in clause (2) for the movement of the concentrate to a point of consumption or port for shipment beyond the state.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 3. Minnesota Statutes 2014, section 270.80, subdivision 3, is amended to read:

Subd. 3. **Operating property.** "Operating property" means all property owned or used by a railroad company in the performance of railroad transportation services, including ~~without limitation franchises, rights-of-way, bridges, trestles, shops, docks, wharves, buildings and structures,~~ but not limited to, road, locomotives, freight cars, and improvements on leased property. Operating property is listed and assessed by the commissioner where the property is located.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 270.80, subdivision 4, is amended to read:

Subd. 4. **Nonoperating property.** "Nonoperating property" means ~~and includes~~ all property other than property defined in subdivision 3. Nonoperating property ~~shall include~~ includes real property ~~which that~~ is leased or rented or available for lease or rent to any person ~~which that~~ is not a railroad company. Vacant land shall be presumed to be available for lease or rent if it has not been used as operating property for a period of one year immediately preceding the valuation date. Nonoperating property also includes land ~~which that~~ is not necessary and integral to the performance of railroad transportation services and ~~which that~~ is not used on a regular and continual basis in the performance of these services. Nonoperating property also includes that portion of a ~~general~~ corporation office building and its proportionate share of land ~~which that~~ is not used for railway railroad operation or purpose. Nonoperating property is assessed by the local or county assessor.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 6. **Company.** "Company" means any corporation, limited liability company, association, partnership, trust, estate, fiduciary, public or private organization of any kind, or any other legal entity.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 7. **Unit value.** "Unit value" means the value of the whole integrated system of a railroad company operating as a going concern without regard to the value of its component parts.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 7. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 8. **Book depreciation.** "Book depreciation" means the accumulated depreciation shown by a railroad company on its books or allowed to the company by the Surface Transportation Board.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 9. **Equalization.** "Equalization" means the adjustment of the estimated value of railroad operating property to the apparent sales ratio of commercial and industrial property.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 10. **Exempt property.** "Exempt property" means property which is nontaxable for ad valorem tax purposes under Minnesota Statutes, including personal property exempt from taxation under chapter 272.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 11. **Original cost.** "Original cost" means the amount paid for an asset by the current owner as recorded on the railroad's books or allowed by the Surface Transportation Board.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 12. **System.** "System" means the total property, real and personal, of a railroad, that is used in its railroad operations.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 14. **Minnesota allocated value.** "Minnesota allocated value" means the value of a railroad company's operating property that is assigned to Minnesota for tax purposes.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 270.81, subdivision 1, is amended to read:

Subdivision 1. **Valuation of operating property.** The operating property of every railroad company doing business in Minnesota shall be valued by the commissioner in the manner prescribed by sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 270.81, subdivision 3, is amended to read:

Subd. 3. **Determination of type of property.** (a) The commissioner ~~shall have~~ has exclusive primary jurisdiction to determine ~~what~~ whether railroad property is operating property ~~and what is or~~ nonoperating property. In making ~~such~~ the determination, the commissioner ~~shall~~ may solicit information and opinions from outside the department and afford all interested persons an opportunity to submit data or views on the subject in writing or orally.

(b) Local ~~and county~~ assessors may submit written requests to the commissioner, asking for a determination of ~~the nature of specific~~ whether property owned by a railroad and located within their assessing jurisdiction is operating or nonoperating. ~~Any determination made by the commissioner may be appealed by the assessor to the Tax Court pursuant to chapter 271. The requests must be submitted by April 1 of the assessing year. The commissioner must send the assessor a written determination by May 1. Assessors may appeal determinations made by the commissioner to the Tax Court pursuant to chapter 271.~~

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 270.81, is amended by adding a subdivision to read:

Subd. 6. **Deduction for nonoperating and exempt property.** Property that was part of the system, but is nonoperating property, or that is exempt from ad valorem taxation, is excluded from the Minnesota allocated value under section 273.3718, subdivision 1a. Only qualifying property located in Minnesota may be deducted from the Minnesota allocated value. The commissioner must deduct the market value of the property to be excluded. This must be calculated by multiplying the book value of the property by the market-to-book ratio of the unit. The company has the burden of proof to establish that property should be excluded from the Minnesota allocated value. The railroad company must submit schedules of exempt or nonoperating property as the commissioner may require. The remaining amount after this deduction is the Minnesota apportionable market value.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 16. Minnesota Statutes 2014, section 270.82, is amended to read:

#### **270.82 REPORTS OF RAILROAD COMPANIES.**

Subdivision 1. **Annual report required.** Before March 31, every railroad company doing business in Minnesota shall annually must file with the commissioner on or before March 31 a an annual report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections ~~270.80~~ 273.3712 to 270.87. 273.3719. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

Subd. 2. **Extension of time.** If the commissioner for good determines that there is reasonable cause, the commissioner may extend the time for filing the report required by subdivision 1 for up to 15 days the time for filing the report required by subdivision 1.

Subd. 3. **Amended reports.** A railroad company may file an amended report to correct or add information to the original report. Amended reports must be filed with the commissioner by April 30.

Subd. 4. **Failure to file reports.** (a) The commissioner may make the valuation provided for by sections 273.3712 to 273.3719, according to the commissioner's best judgment based on available information, if any railroad company does not:

- (1) make the report required by this section;
- (2) permit an inspection and examination of its property, records, books, accounts, or other papers when requested by the commissioner; or
- (3) appear before the commissioner or a person appointed under section 273.3715, when required to do so.

(b) If the commissioner makes the valuation pursuant to paragraph (a), the commissioner's valuation is final. Notwithstanding any other law to the contrary, the commissioner's valuation made pursuant to this subdivision is not appealable administratively.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 17. Minnesota Statutes 2014, section 270.83, subdivision 1, is amended to read:

Subdivision 1. **Powers of commissioner.** The commissioner shall have has the power to examine or cause to be examined any books, papers, records, or memoranda relevant to the determination of the valuation of operating property as herein provided. The commissioner shall have the further power to may require the attendance of any person having knowledge or information in the premises concerning the valuation of the operating property, to compel the production of books, papers, records, or memoranda by persons so required to attend, to take testimony on matters material to such determination-determine the valuation of operating property, and administer oaths or affirmations.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 18. Minnesota Statutes 2014, section 270.83, subdivision 2, is amended to read:

Subd. 2. **Appointment of persons; subpoenas.** For the purpose of making such examinations, The commissioner may appoint such persons as the commissioner may deem deems necessary to make the examinations described in subdivision 1. Such persons shall have the rights and powers of the examining of Persons appointed may examine books, papers, records or memoranda, and of subpoenaing subpoena witnesses, administering administer oaths and affirmations, and taking of take testimony, which are conferred upon the commissioner hereby. The court administrator of any court of record, upon demand of any such person appointed, shall issue a subpoena for the attendance of any witness or the production of any books, papers, records, or memoranda before such person. The commissioner may also issue subpoenas for the appearance of witnesses before the commissioner or before such persons. Disobedience of subpoenas so issued shall be punished by the district court of the district in which the subpoena is issued for a contempt of the district court. Failure to comply with a subpoena shall be punished in the same manner as contempt of the district court.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 19. Minnesota Statutes 2014, section 270.84, is amended to read:

**270.84 ANNUAL VALUATION OF OPERATING PROPERTY.**

Subdivision 1. **Annual valuation; rules.** (a) ~~Before July 1, the commissioner shall annually between March 31 and May 31 make a determination of~~ must determine the fair market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. ~~In making this determination,~~ The commissioner ~~shall~~ must employ generally accepted appraisal principles and practices which may include the unit method of determining value, and approaches approved by the Western States Association of Tax Administrators, National Conference of Unit Valuation States, and the International Association of Assessing Officers.

(b) The unit value of railroad property is the reconciled value considering the cost, income, and market approaches under subdivisions 1a, 1b, and 1c. Each approach must be weighted in accordance with the reliability of the information and the commissioner's judgment.

Subd. 1a. **Cost approach.** (a) The commissioner may use the cost approach, including but not limited to original cost less book depreciation and replacement cost less depreciation.

(b) Book depreciation is allowed as a deduction from an original cost model. Book depreciation is assumed to include all forms of appraisal depreciation.

(c) Explicitly calculated appraisal depreciation, including physical, functional, and external obsolescence, is allowed as a deduction from the replacement cost model.

Subd. 1b. **Income approach.** (a) The commissioner may use the income approach, including but not limited to direct capitalization models and yield capitalization models.

(b) The yield rate is calculated using market data on selected comparable companies in the band of investment method.

(1) Discounted cash flows is a yield capitalization model that calculates the present value of explicit cash flow forecasts capitalized using the yield rate, plus reversion to stable growth yield capitalization after the period of explicit forecasts.

(2) Stable growth yield capitalization is a yield capitalization model that calculates the present value of anticipated future cash flows, capitalized using the yield rate and considering growth.

(c) Direct capitalization is the expected net operating income for the following year, divided by the direct capitalization rate. The direct capitalization rate is calculated by using direct market observations from comparable sales or using market earning-to-price information in the band of investment method.

Subd. 1c. **Market approach.** The commissioner may use the market approach, including but not limited to a sales comparison model, a stock and debt model, or other market models that are available and reliable.

Subd. 2. **Notice.** The commissioner, after determining the fair market value of the operating property of each railroad company, ~~shall give notice to~~ must notify the railroad company of the valuation by ~~first class mail, overnight delivery, or messenger service.~~

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 20. Minnesota Statutes 2014, section 270.86, is amended to read:

**270.86 APPORTIONMENT AND EQUALIZATION OF VALUATION.**

Subdivision 1. **Apportionment of value.** ~~Upon determining~~ After allocating to Minnesota the fair market value of the operating property of each railroad company, the commissioner shall must apportion such the value to the respective counties and to the taxing districts therein in conformity with fair and reasonable rules and standards to be established by the commissioner pursuant to notice and hearing, except as provided in section 270.81. In establishing such rules and standards the commissioner may consider (a) the physical situs of all station houses, depots, docks, wharves, and other buildings and structures with an original cost in excess of \$10,000; (b) the proportion that the length and type of all the tracks used by the railroad in such county and taxing district bears to the length and type of all the track used in the state; and (c) other facts as will result in a fair and equitable apportionment of value ~~the operating parcels in Minnesota.~~

The apportioned market value of each company's operating parcel in Minnesota is the current original cost of each parcel as of the last assessment date plus original cost of new construction minus the original cost of property retired since the last assessment date. The total Minnesota apportionable market value of the railroad is divided by the total current original cost of the railroad in Minnesota to determine a percentage. The resulting percentage is multiplied by the current original cost of each parcel to determine the apportioned market value of each parcel.

Subd. 1a. **Allocation of value.** (a) After the market value of operating property has been estimated, the portion of value that is attributable to Minnesota must be determined by calculating an allocation percentage using factors relevant to the industry segment of the railroad company. The allocation percentage must be multiplied by the value of the operating property to determine the Minnesota allocated value.

(b) The Minnesota allocated value is determined by averaging the following factors:

(1) miles of railroad track operated in Minnesota divided by miles of railroad track operated in all states;

(2) ton miles of revenue freight transported in Minnesota divided by ton miles of revenue freight transported in all states;

(3) gross revenues from transportation operations within Minnesota divided by gross revenues from transportation operations in all states; and

(4) cost of railroad property in Minnesota divided by cost of railroad property in all states.

(c) Each of the available factors must be weighted equally.

Subd. 2. **Equalized valuation.** After making the apportionment provided in subdivision 1, the commissioner shall must determine the equalized valuation of the operating property in each county by applying to the apportioned value an estimated current year median sales ratio for all commercial and industrial property in that county. If the commissioner ~~decides~~ determines that there are insufficient sales to determine a median commercial-industrial sales ratio, an estimated current year countywide median sales ratio for all property shall must be applied to the apportioned value. No equalization shall Equalization must not be made to the market value of the operating property if the median sales ratio determined pursuant to this subdivision is ~~within five~~ at least 90 but less than 105 percent of the assessment ratio of the railroad operating property.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 21. Minnesota Statutes 2014, section 270.87, is amended to read:

**270.87 CERTIFICATION TO COUNTY ASSESSORS.**

~~After making an annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, The commissioner shall~~ must certify the equalized fair market value of the operating property to the county assessor ~~on or before June 30~~ August 1. The equalized fair market value of the operating property of the railroad company in the county and the taxing districts therein is the value on which taxes must be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein in the counties and taxing districts. If the commissioner determines that the equalized fair market value certified ~~on or before June 30~~ August 1 is in error, the commissioner may issue a corrected certification ~~on or before August 31~~ October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 22. Minnesota Statutes 2014, section 272.02, subdivision 9, is amended to read:

Subd. 9. **Personal property; exceptions.** Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) ~~railroad docks and wharves which are part of the~~ personal property that is part of the operating property of a railroad company as defined in section 270.80 273.3712;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

Sec. 23. **SEVERABILITY.**

If any part of this article is found to be invalid because it is in conflict with a provision of the Minnesota Constitution or for any other reason, all other provisions of this act shall remain valid

and any rights, remedies, and privileges that have been otherwise accrued by this act, shall remain in effect and may be proceeded with and concluded under the provisions of this act.

**Sec. 24. REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber the provisions of Minnesota Statutes listed in column A to the references listed in column B. The revisor shall also make necessary cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with renumbering.

<u>Column A</u>	<u>Column B</u>
<u>270.80</u>	<u>273.3712</u>
<u>270.81</u>	<u>273.3713</u>
<u>270.82</u>	<u>273.3714</u>
<u>270.83</u>	<u>273.3715</u>
<u>270.84</u>	<u>273.3716</u>
<u>270.85</u>	<u>273.3717</u>
<u>270.86</u>	<u>273.3718</u>
<u>270.87</u>	<u>273.3719</u>

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

**Sec. 25. REPEALER.**

Minnesota Statutes 2014, sections 270.81, subdivision 4; and 270.83, subdivision 3, and Minnesota Rules, parts 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, and 21; 8106.0300, subparts 1 and 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; and 8106.9900, are repealed.

**EFFECTIVE DATE.** This section is effective for assessment year 2015 and thereafter.

## ARTICLE 10

### PUBLIC FINANCE

Section 1. Minnesota Statutes 2014, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. **To lease building or land.** (a) When an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional purposes or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may ~~apply to seek permission from the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.~~

(b) In granting permission to levy under this subdivision, the commissioner may consider the financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use. Additional information shall be provided for consideration upon request of the commissioner. The criteria for approval of applications

granting permission to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed \$212 times the adjusted pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the Department of Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

- (1) the school district has been experiencing pupil enrollment growth in the preceding five years;
- (2) the purpose of the increased levy is in the long-term public interest;
- (3) the purpose of the increased levy promotes collocation of government services; and
- (4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$65 times the adjusted

pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012 to 2023, a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease agreement to finance improvements to a building and land for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e). The total levy authority under this paragraph shall not exceed \$632,000.

(j) Notwithstanding paragraph (a), a district may levy under this subdivision for the purpose of leasing administrative space if the district can demonstrate to the satisfaction of the commissioner that the lease cost for the administrative space is no greater than the lease cost for instructional space that the district would otherwise lease. The commissioner must deny this levy authority unless the district passes a resolution stating its intent to lease instructional space under this section if the commissioner does not grant authority under this paragraph. The resolution must also certify that the lease cost for administrative space under this paragraph is no greater than the lease cost for the district's proposed instructional lease.

Sec. 2. Minnesota Statutes 2014, section 366.095, subdivision 1, is amended to read:

Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law. The certificates shall be payable in not more than ten years and be issued on the terms and in the manner as the board may determine, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. If the amount of the certificates to be issued exceeds 0.25 percent of the estimated market value of the town, they shall not be issued for at least ten days after publication in a newspaper of general circulation in the town of the board's resolution determining to issue them. If within that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular town election is filed with the clerk, the certificates shall not be issued until their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made to pay the principal and interest on the certificates as in the case of bonds.

Sec. 3. Minnesota Statutes 2014, section 383B.117, subdivision 2, is amended to read:

Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and without public referendum, issue capital notes within existing debt limits for the purpose of purchasing ambulance and other medical equipment, road construction or maintenance equipment, public safety equipment and other capital equipment having an expected useful life at least equal to the term of the notes issued. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner as the board determines, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. The total principal amount of the notes issued for any fiscal year shall not exceed one percent of the total annual budget for that year and shall be issued solely for the purchases authorized in this subdivision. A tax levy shall be made for the payment of the principal and interest on such notes as in the case of bonds. For purposes of this subdivision, "equipment" includes computer hardware and software, whether bundled with machinery or

equipment or unbundled. For purposes of this subdivision, the term "medical equipment" includes computer hardware and software and other intellectual property for use in medical diagnosis, medical procedures, research, record keeping, billing, and other hospital applications, together with application development services and training related to the use of the computer hardware and software and other intellectual property, all without regard to their useful life. For purposes of determining the amount of capital notes which the county may issue in any year, the budget of the county and Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this subdivision shall be in addition to obligations issuable under section 373.01, subdivision 3.

Sec. 4. Minnesota Statutes 2014, section 410.32, is amended to read:

**410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware and software.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 5. Minnesota Statutes 2014, section 412.301, is amended to read:

**412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine, provided, however, that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 6. Minnesota Statutes 2014, section 469.034, subdivision 2, is amended to read:

Subd. 2. **General obligation revenue bonds.** (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors, and the maturities may extend to not more than 35 years for obligations sold to finance housing for the elderly and 40 years for other obligations issued under this subdivision. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the estimated market value of the general jurisdiction governmental unit whose general obligation is pledged, or (2) ~~\$3,000,000~~ \$5,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located. The project must be owned for the term of the bonds either by the authority or by a limited partnership or other entity in which the authority or another entity under the sole control of the authority is the sole general partner and the partnership or other entity must receive (1) an allocation from the Department of Management and Budget or an entitlement issuer of tax-exempt bonding authority for the project and a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for four percent low-income housing tax credits or (2) a reservation of nine percent low-income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

(f) The authority may issue bonds to refund bonds issued under this subdivision in accordance with section 475.67. The finding of the adequacy of pledged revenues required by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the issuance of refunding bonds. This paragraph applies to refunding bonds issued on and after July 1, 1992.

Sec. 7. Minnesota Statutes 2014, section 469.101, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** An economic development authority may create and define the boundaries of economic development districts at any place or places within the city, except that the district boundaries must be contiguous, and may use the powers granted in sections 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing on the matter. At least ten days before the hearing, the authority shall publish notice of the hearing in a daily newspaper of general circulation in the city. Also, the authority shall find that an economic development district is proper and desirable to establish and develop within the city.

Sec. 8. Minnesota Statutes 2014, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction or bituminous overlays, if the following conditions are met:

(1) the streets are reconstructed or overlaid under a street reconstruction or overlay plan that describes the street reconstruction or overlay to be financed, the estimated costs, and any planned reconstruction or overlay of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of ~~at~~ a majority of the members of the governing body present at the meeting following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction and bituminous overlays includes utility replacement and relocation and other activities incidental to the street reconstruction, turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects. For purposes of this subdivision, "street reconstruction" includes expenditures for street reconstruction that have been incurred by a municipality before approval of a street reconstruction plan, if such expenditures are included in a street reconstruction plan approved on or before the date of the public hearing under paragraph (a), clause (1), regarding issuance of bonds for such expenditures.

(d) Except in the case of turn lanes, safety improvements, realignments, intersection modifications, and the local share of state and county road projects, street reconstruction and bituminous overlays does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 9. Minnesota Statutes 2014, section 475.60, subdivision 2, is amended to read:

Subd. 2. **Requirements waived.** The requirements as to public sale shall not apply to:

(1) obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) obligations sold by an issuer in an amount not exceeding the total sum of \$1,200,000 in any 12-month period;

(3) obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately;

(4) obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency;

(5) obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision 13, and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56;

(6) obligations to be issued for a purpose, in a manner, and upon terms and conditions authorized by law, if the governing body of the municipality, on the advice of bond counsel or special tax counsel, determines that interest on the obligations cannot be represented to be excluded from gross income for purposes of federal income taxation;

(7) obligations issued in the form of an installment purchase contract, lease purchase agreement, or other similar agreement;

(8) obligations sold under a bond reinvestment program; and

(9) if the municipality has retained an independent ~~financial~~ municipal advisor, obligations which the governing body determines shall be sold by private negotiation.

## ARTICLE 11

### SUSTAINABLE FOREST INCENTIVE ACT MODIFICATIONS

Section 1. Minnesota Statutes 2014, section 290C.01, is amended to read:

#### **290C.01 PURPOSE.**

It is the policy of this state to promote sustainable forest resource management on the state's public and private lands. ~~Recognizing that~~ The state's private forests comprise approximately one-half of the state forest land resources, that healthy and robust forest land provides significant benefits to the state of Minnesota, and that ad. These forests play a critical role in protecting water quality and soil resources, and provide extensive wildlife habitat, diverse recreational experiences, and significant forest products that support the state's economy. Ad valorem property taxes represent a significant annual cost that can discourage long-term forest management investments. In order to foster silviculture investments and retain these forests for their economic and ecological benefits, this chapter, hereafter referred to as the "Sustainable Forest Incentive Act," is enacted to encourage the state's private forest landowners to make a long-term commitment to sustainable forest management.

Sec. 2. Minnesota Statutes 2014, section 290C.02, subdivision 1, is amended to read:

Subdivision 1. **Application.** When used in sections 290C.01 to ~~290C.11~~ 290C.13, the terms in this section have the meanings given them.

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

Sec. 3. Minnesota Statutes 2014, section 290C.02, subdivision 3, is amended to read:

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act;

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

~~The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property.~~ Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by ~~August 15~~ July 1 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

(b) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2016 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 290C.02, subdivision 6, is amended to read:

Subd. 6. **Forest land.** "Forest land" means land containing a minimum of 20 contiguous acres for which the owner has implemented a forest management plan that was prepared or updated within the past ten years by an approved plan writer. For purposes of this subdivision, acres are considered to be contiguous even if they are separated by a road, waterway, railroad track, or other similar intervening property. At least 50 percent of the contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7. For the purposes of sections 290C.01 to 290C.11, forest land does not include (i) land used for residential or agricultural purposes, (ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota agricultural property tax law under section 273.111, or land subject to agricultural land preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan Agricultural Preserves Act under chapter 473H, (iii) ~~land exceeding 60,000 acres that is subject to a single conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity;~~ (iv) any land that becomes subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity after May 30, 2013; or (v) (iv) land improved with a structure, pavement, sewer, campsite, or any road, other than a township road, used for purposes not prescribed in the forest management plan.

**EFFECTIVE DATE.** This section is effective for applications made in 2016 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 290C.03, is amended to read:

**290C.03 ELIGIBILITY REQUIREMENTS.**

(a) Land may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) the land consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is enrolled;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

(4) the land must be enrolled for a minimum of eight years;

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

(6) claimants enrolling more than 1,920 acres or enrolling any land that is subject to a conservation easement funded under section 97A.056, or a comparable permanent easement conveyed to a governmental or nonprofit entity in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources and motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources;

(7) the claimant has registered with the forest management plan under clause (2) with the commissioner of natural resources, who has determined that the land meets qualifications for enrollment; and

(8) the land is not classified as class 2c managed forest land.

(b) Claimants required to allow access under paragraph (a), clause (6), do not by that action:

(1) extend any assurance that the land is safe for any purpose;

(2) confer upon the person the legal status of an invitee or licensee to whom a duty of care is owed; or

(3) assume responsibility for or incur liability for any injury to the person or property caused by an act or omission of the person.

(c) The commissioner of natural resources shall annually provide county assessors verification information regarding plan registration under paragraph (a), clause (7), on a timely basis.

(d) A minimum of three acres must be excluded from enrolled land when the land is improved with a structure that is not a minor, ancillary, nonresidential structure.

(e) If land does not meet the definition of forest land in section 290C.02, subdivision 6, because the land is: (1) enrolled in the reinvest in Minnesota program; (2) enrolled in a state or federal conservation reserve or easement program under sections 103F.501 to 103F.531; (3) subject to

the Minnesota agricultural property tax under section 273.111; or (4) subject to agricultural land preservation controls or restrictions as defined in section 40A.02, or the Metropolitan Agricultural Preserves Act under chapter 473H, the entire tax parcel that contains the land is not eligible to be enrolled in the program.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2016 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 290C.04, is amended to read:

**290C.04 APPLICATIONS.**

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the ~~commissioner~~ commissioners of revenue and natural resources and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, ~~and~~ (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter, and (viii) a registration number for the forest management plan, issued by the commissioner of natural resources. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years unless the claimant requests termination of the covenant after a reduction in payments due to changes in the payment formula under section 290C.07. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land. The commissioner of natural resources shall record the area eligible for enrollment into the Sustainable Forest Incentive Act as electronic geospatial data, as defined in section 16E.30, subdivision 10.

(b) The commissioner shall provide a copy of the application filed by the claimant and all supporting materials to the commissioner of natural resources within 15 days of receipt or by September 1, whichever is sooner. The commissioner of natural resources must notify the commissioner whether the applicant qualifies for enrollment within 30 days of receipt, and if the applicant qualifies for enrollment, the commissioner of natural resources shall specify the number of qualifying acres per tax parcel.

~~(b) In all cases;~~ (c) The commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section 290C.13.

(e) (d) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document

releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

~~(d)~~ (e) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2016 and thereafter.

Sec. 7. Minnesota Statutes 2014, section 290C.05, is amended to read:

**290C.05 ANNUAL CERTIFICATION AND MONITORING.**

(a) On or before July 1 May 15 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program current property owner on record, or the person designated by the owners in the case of multiple ownership. The claimant must sign and return the certification, attesting to the commissioner by July 1 of that same year, and (1) attest that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year (2) provide a report in the form and manner determined by the commissioner of natural resources describing the management practices that have been carried out on the enrolled property during the prior year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply. The commissioner of natural resources will verify that the claimant meets program requirements.

(b) The commissioner must provide the certification form and annual report described in paragraph (a), clause (2), to the commissioner of natural resources by August 1.

(c) The commissioner of natural resources must conduct annual monitoring of a subset of claimants, excluding land also enrolled in a conservation easement program. Claimants will be selected for monitoring based on reported violations, annual certification, and random selections. Monitoring will be conducted on ten percent of claimants as of July 1 of each year. Monitoring may include, but is not limited to, a site visit by a department of natural resources or a contracted forester. The commissioner of natural resources will develop a monitoring form to record the monitoring data.

**EFFECTIVE DATE.** Paragraphs (a) and (b) are effective for certifications and applications due in 2016 and thereafter. Paragraph (c) is effective July 1, 2018.

Sec. 8. Minnesota Statutes 2014, section 290C.055, is amended to read:

**290C.055 LENGTH OF COVENANT.**

(a) The covenant remains in effect for a minimum of eight years Claimants enrolling any land that is subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity must enroll their land under a covenant

with a minimum duration of eight years. All other claimants may choose to enroll their land under a covenant with a minimum duration of eight, 20, or 50 years. If land is removed the claimant requests removal from the program before it has been enrolled for four years half the number of years of the covenant's duration, the covenant remains in effect for eight years the entire duration of the covenant from the date recorded.

(b) If land that has been enrolled for four years half the number of years of the covenant's minimum duration or more is removed from the program for any reason, there is a waiting period before the covenant terminates. The covenant terminates on January 1 of the fifth, 11th, or 26th calendar year for the eight-, 20-, or 50-year minimum covenant, respectively, that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to remove the land from the program under section 290C.10; or

(2) the date that the land is removed from the program under section 290C.11.

(c) Notwithstanding the other provisions of this section, the covenant is terminated:

(1) at the same time that the land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10; or

(2) at the request of the claimant after a reduction in payments due to changes in the payment formula under section 290C.07.

**EFFECTIVE DATE.** This section is effective for certifications and applications in 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 290C.07, is amended to read:

**290C.07 CALCULATION OF INCENTIVE PAYMENT.**

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment for each acre of enrolled land. The payment shall equal \$7 per acre for each acre enrolled in the sustainable forest incentive program a percentage of the property tax that would be paid on the land determined by using the previous year's statewide average total tax rate for all taxes levied within townships or unorganized territories, the estimated market value per acre as calculated in section 290C.06, and a class rate of one percent as follows: (1) for claimants enrolling land that is subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity before May 31, 2013, under an eight-year covenant, 25 percent; (2) for claimants enrolling land that is not subject to a conservation easement under an eight-year covenant, 65 percent; (3) for claimants enrolling land that is not subject to a conservation easement under a 20-year covenant, 90 percent; and (4) for claimants enrolling land that is not subject to a conservation easement under a 50-year covenant, 115 percent. The calculated payment shall not be less than the payment received in 2016 and shall not increase or decrease by more than ten percent relative to the payment received for the previous year.

**EFFECTIVE DATE.** This section is effective for calculations made in 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 290C.08, subdivision 1, is amended to read:

Subdivision 1. **Annual payment.** An incentive payment for each acre of enrolled land will be made annually to each claimant in the amount determined under section 290C.07. By September 15

of each year, the commissioner of natural resources will certify to the commissioner the eligibility of each claimant to receive a payment. The incentive payment shall be paid by the commissioner on or before October 1 each year based on the certifications due ~~August 15~~ July 1 of that year. Interest at the annual rate determined under section 270C.40 shall be included with any incentive payment not paid by the later of October 1 of the year the certification was due, or 45 days after the completed certification was returned or filed if the commissioner accepts a certification filed after ~~August 15~~ July 1 of the taxes payable year as the resolution of an appeal.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 290C.10, is amended to read:

**290C.10 WITHDRAWAL PROCEDURES.**

~~An approved claimant~~ (a) The current owner of land enrolled under the sustainable forest incentive program for a minimum of ~~four years~~ half the number of years of the covenant's minimum duration may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the ~~fifth, 11th, or 26th~~ calendar year for the eight-, 20-, or 50-year respective minimum covenant that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(b) Notwithstanding paragraph (a), on request of the claimant, the commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the state of Minnesota, any local government unit, or any other entity which has the power of eminent domain acquires title or possession to the land for a public purpose ~~notwithstanding the provisions of this section.~~ In the case of ~~such~~ an eligible acquisition under this paragraph, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant.

(c) Notwithstanding paragraph (a), on request of the claimant, the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the government or nonprofit entity acquires a permanent conservation easement on the enrolled property and the conservation easement is at least as restrictive as the covenant required under section 290C.04. The commissioner of natural resources must notify the commissioner of lands acquired under this paragraph that are eligible for withdrawal. In the case of an eligible easement acquisition under this paragraph, the commissioner shall execute and acknowledge a document releasing the land subject to the easement from the covenant.

(d) Notwithstanding paragraph (a), on request of the claimant, the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty for land that is subject

to fee or easement acquisition or lease to the state of Minnesota or a political subdivision of the state for the public purpose of a paved trail. The commissioner of natural resources must notify the commissioner of lands acquired under this paragraph that are eligible for withdrawal. In the case of an eligible fee or easement acquisition or lease under this paragraph, the commissioner shall execute and acknowledge a document releasing the land subject to fee or easement acquisition or lease by the state or political subdivision of the state.

(e) All other enrolled land must remain in the program.

**EFFECTIVE DATE.** Paragraphs (c) and (d) are effective the day following final enactment. Paragraphs (a), (b), and (e) are effective for notifications made in 2016 and thereafter.

Sec. 12. **[290C.101] TRANSFER OF OWNERSHIP.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings provided.

(b) "New owner" means a prospective purchaser or grantee.

(c) "Owner" means a grantor or seller.

Subd. 2. **Notification to commissioner.** (a) An owner must notify the commissioner if the owner transfers any or all of the owner's land enrolled in the sustainable forest incentive program to one or more new owners within 60 days of the transfer of title to the property. The notification must include the legal descriptions of the transferred property, the tax parcel numbers, and the name and address of the new owner. If transfer of ownership is a result of the death of the claimant, the provisions of section 290C.12 shall apply.

(b) Upon notification, the commissioner shall inform the new owner of the restrictions of the covenant required by section 290C.04 and the withdrawal procedures under section 290C.10. In order for the new owner to receive payments pursuant to this chapter, the new owner must file an application and register a new forest management plan with the commissioner of natural resources within two years from the date the title of the property was transferred to remain eligible.

Subd. 3. **Termination of enrollment.** The commissioner will terminate enrollment according to the procedure in section 290C.10 for failure of the new owner to register a forest management plan within the time period in subdivision 2, paragraph (b).

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

Sec. 13. Minnesota Statutes 2014, section 290C.11, is amended to read:

**290C.11 PENALTIES FOR REMOVAL.**

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, or upon notification by the commissioner of natural resources that land enrolled is in violation of the conditions for enrollment, the commissioner shall notify the claimant-current owner of the land of the intent to remove all the tax parcel of the enrolled land where the violation has occurred from the sustainable forest incentive program. The penalties described under paragraph (c) shall apply. The claimant-current owner has 60 days to appeal this determination under the provisions of section 290C.13.

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program due to the construction or addition of an improvement to the property, the claimant owner of the tax parcel that is in violation is liable for payment to the commissioner in the amount equal to: (1) the payments received issued related to the enrolled tax parcel under this chapter for the previous four-year period in the case of an eight-year minimum covenant, ten-year period in the case of a 20-year minimum covenant, and 25-year period in the case of a 50-year minimum covenant, plus interest; and (2) 25 percent of the estimated market value of the property as reclassified under section 273.13 due to the structure being on the tax parcel, as determined by the assessor.

(c) If the commissioner of natural resources determines that the land is used for purposes other than forestry purposes, the commissioner of natural resources shall notify the commissioner of revenue, who shall notify the current owner of the tax parcel that is in violation that the current owner is liable to the commissioner in an amount equal to: (1) 30 percent of the estimated market value as property reclassified under section 273.13, due to the change in use, as determined by the assessor; and (2) the payments issued related to the enrolled tax parcel under this chapter for the previous four-year period in the case of an eight-year covenant, ten-year period in the case of a 20-year covenant, and 25-year period in the case of a 50-year covenant, plus interest.

(d) The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

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

Sec. 14. Minnesota Statutes 2014, section 290C.13, subdivision 6, is amended to read:

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination. The commissioner shall consult with the commissioner of natural resources when an appeal relates to the use of the property for forestry or nonforestry purposes and for appeals related to forest management plans.

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

Sec. 15. **SUSTAINABLE FOREST INCENTIVE ACT; TRANSITION PROVISION.**

(a) For lands enrolled in the Sustainable Forest Incentive Act on May 15, 2015, the owner of enrolled lands may elect through May 15, 2017, and without penalty, to change the length of a covenant, if eligible, under Minnesota Statutes, section 290C.055. The owner of enrolled land must provide notice to the Department of Revenue of its intent to change the length of its covenant.

(b) For lands enrolled in the Sustainable Forest Incentive Act on May 15, 2015, the owner of enrolled land must comply with the changes made in the act by certifications due in 2017, as required under Minnesota Statutes, section 290C.05.

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

Sec. 16. **REPEALER.**

Minnesota Statutes 2014, sections 290C.02, subdivisions 5 and 9, are repealed.

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

## ARTICLE 12

### MISCELLANEOUS

Section 1. Minnesota Statutes 2014, section 16A.152, subdivision 2, is amended to read:

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

- (1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;
- (2) the budget reserve account established in subdivision 1a until that account reaches ~~\$810,992,000~~ \$994,339,000;
- (3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; and
- (4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, by the same amount.

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

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

**EFFECTIVE DATE.** This section is effective July 1, 2015.

Sec. 2. Minnesota Statutes 2014, section 16A.152, subdivision 8, is amended to read:

Subd. 8. **Report on budget reserve percentage.** (a) The commissioner of management and budget shall develop and annually review a methodology for evaluating the adequacy of the budget reserve based on the volatility of Minnesota's general fund tax structure. The review must take into consideration relevant statistical and economic literature. After completing the review, the commissioner may revise the methodology if necessary. The commissioner must use the methodology to annually estimate the percentage of the current biennium's general fund nondedicated revenues recommended as a budget reserve.

(b) By ~~January 15~~ August 31 of each year, the commissioner shall report the percentage of the current biennium's general fund nondedicated revenue that is recommended as a budget reserve to

the chairs and ranking minority members of the ~~legislative committees with jurisdiction over the Department of Management and Budget~~ senate committee on finance, the house of representatives committee on ways and means, and the senate and house of representatives committees on taxes. The report must also specify:

(1) whether the commissioner revised the recommendation as a result of significant changes in the mix of general fund taxes or the base of one or more general fund taxes;

(2) whether the commissioner revised the recommendation as a result of a revision to the methodology; and

(3) any additional appropriate information.

**EFFECTIVE DATE.** This section is effective July 1, 2015.

Sec. 3. Minnesota Statutes 2014, section 271.08, subdivision 1, is amended to read:

Subdivision 1. **Written order.** The Tax Court, except in Small Claims Division, shall determine every appeal by written order containing findings of fact and the decision of the tax court. A memorandum of the grounds of the decision shall be appended. Notice of the entry of the order and of the substance of the decision shall be mailed to all parties. A motion for rehearing, which includes a motion for amended findings of fact, conclusions of law, or a new trial, must be served by the moving party within ~~±5~~ 30 days after mailing of the notice by the court as specified in this subdivision, and the motion must be heard within ~~30~~ 60 days thereafter, unless the time for hearing is extended by the court within the ~~30-day~~ 60-day period for good cause shown.

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

Sec. 4. Minnesota Statutes 2014, section 271.21, subdivision 2, is amended to read:

Subd. 2. **Jurisdiction.** At the election of the taxpayer, the Small Claims Division shall have jurisdiction only in the following matters:

(a) cases involving valuation, assessment, or taxation of real or personal property, if:

(i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property;

(ii) only one parcel is included in the petition, the entire parcel is classified as homestead class 1a or 1b under section 273.13, and the parcel contains no more than one dwelling unit;

(iii) the entire property is classified as agricultural homestead class 2a or 1b under section 273.13;  
or

(iv) the assessor's estimated market value of the property included in the petition is less than \$300,000; or

(b) any case not involving valuation, assessment, or taxation of real and personal property in which the amount in controversy does not exceed ~~\$5,000~~ \$15,000, including penalty and interest.

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

Sec. 5. Minnesota Statutes 2014, section 296A.01, subdivision 12, is amended to read:

Subd. 12. **Compressed natural gas or CNG.** "Compressed natural gas" or "CNG" means natural gas, primarily methane, condensed under high pressure and stored in specially designed storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG is considered to be ~~±,000~~ 900 BTUs per cubic foot.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 296A.01, is amended by adding a subdivision to read:

Subd. 13a. **Dealer of gasoline used as a substitute for aviation gasoline.** "Dealer of gasoline used as a substitute for aviation gasoline" means any person who sells gasoline on the premises of an airport as defined under section 360.013, subdivision 39, to be dispensed directly into the fuel tank of an aircraft.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 296A.07, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** The provisions of subdivision 1 do not apply to gasoline or denatured ethanol purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384;

(2) providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services;

(3) an ambulance service licensed under chapter 144E;

(4) providers of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990, with a motor vehicle used exclusively as a mobile medical unit; ~~or~~

(5) a licensed distributor to be delivered to a terminal for use in blending; or

(6) a dealer of gasoline used as a substitute for aviation gasoline.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 296A.08, subdivision 2, is amended to read:

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

(a) Liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon.

(b) Liquefied natural gas is taxed at the rate of 15 cents per gallon.

(c) Compressed natural gas is taxed at the rate of ~~\$2.174~~ \$1.974 per thousand cubic feet; or 25 cents per gasoline equivalent. For purposes of this paragraph, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 9. Minnesota Statutes 2014, section 296A.09, subdivision 1, is amended to read:

Subdivision 1. **Gasoline tax imposed.** Subject to any refunds or credits there is imposed an excise tax, at the rate of five cents per gallon on all aviation gasoline received, sold, stored, or withdrawn from storage in this state and on all gasoline used as a substitute for aviation gasoline. Aviation gasoline is defined in section 296A.01, subdivision 7.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 10. Minnesota Statutes 2014, section 296A.09, subdivision 3, is amended to read:

Subd. 3. **Exception to tax for aviation use.** The provisions of subdivisions 1 and 2 do not apply to gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel purchased and placed in the fuel tanks of an aircraft outside the state, even though the gasoline may be consumed within this state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 11. Minnesota Statutes 2014, section 296A.09, subdivision 5, is amended to read:

Subd. 5. **Tax not on consumption.** The taxes imposed by subdivisions 1 and 2 are expressly declared not to be a tax upon consumption of gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel by an aircraft.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 12. Minnesota Statutes 2014, section 296A.09, subdivision 6, is amended to read:

Subd. 6. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to gasoline used as a substitute for aviation gasoline, aviation gasoline or jet fuel purchased by an ambulance service licensed under chapter 144E.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 13. Minnesota Statutes 2014, section 296A.15, subdivision 1, is amended to read:

Subdivision 1. **Monthly gasoline report; shrinkage allowance.** (a) Except as provided in paragraph (e), on or before the 23rd day of each month, every person who is required to pay a gasoline tax shall file with the commissioner a report, in the form and manner prescribed by the commissioner, showing the number of gallons of petroleum products received by the reporter during the preceding calendar month, and other information the commissioner may require. A written report is deemed to have been filed as required in this subdivision if postmarked on or before the 23rd day of the month in which the tax is payable.

(b) The number of gallons of gasoline must be reported in United States standard liquid gallons, 231 cubic inches, except that the commissioner may upon written application and for cause shown permit the distributor to report the number of gallons of gasoline as corrected to a temperature of 60-degrees Fahrenheit. If the application is granted, all gasoline covered in the application and allowed by the commissioner must continue to be reported by the distributor on the adjusted basis for a period of one year from the date of the granting of the application. The number of gallons of petroleum products other than gasoline must be reported as originally invoiced. Each report must show separately the number of gallons of aviation gasoline received by the reporter during each

calendar month and the number of gallons of gasoline sold to a dealer of gasoline used as a substitute for aviation fuel during each calendar month.

(c) Each report must also include the amount of gasoline tax on gasoline received by the reporter during the preceding month. In computing the tax a deduction of 2.5 percent of the quantity of gasoline received by a distributor shall be made for evaporation and loss. At the time of reporting, the reporter shall submit satisfactory evidence that one-third of the 2.5 percent deduction has been credited or paid to dealers on quantities sold to them.

(d) Each report shall contain a confession of judgment for the amount of the tax shown due to the extent not timely paid.

(e) Under certain circumstances and with the approval of the commissioner, taxpayers may be allowed to file reports annually.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 14. Minnesota Statutes 2014, section 296A.15, subdivision 4, is amended to read:

Subd. 4. **Failure to use or sell for intended purpose; report required.** (a) Any person who buys gasoline from a dealer of gasoline used as a substitute for aviation gasoline, or buys aviation gasoline or special fuel for aircraft use and who has paid the excise taxes due directly or indirectly through the amount of the tax being included in the price, or otherwise, and uses said gasoline or special fuel in motor vehicles or knowingly sells it to any person for use in motor vehicles shall, on or before the 23rd day of the month following that in which such gasoline or special fuel was so used or sold, report the fact of the use or sale to the commissioner in the form and manner prescribed by the commissioner.

(b) Any person who buys gasoline other than aviation gasoline and who has paid the motor vehicle gasoline excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline, or otherwise, who knowingly sells such gasoline to any person to be used for the purpose of producing or generating power for propelling aircraft, or who receives, stores, or withdraws from storage gasoline to be used for that purpose, shall, on or before the 23rd day of the month following that in which such gasoline was so sold, stored, or withdrawn from storage, report the fact of the sale, storage, or withdrawal from storage to the commissioner in the form and manner prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 15. Minnesota Statutes 2014, section 296A.17, subdivision 1, is amended to read:

Subdivision 1. **Aviation refund requirements.** Any person claiming to be entitled to any refund or credit provided for in subdivision 3 shall receive the refund or credit upon filing with the commissioner a claim in such form and manner prescribed by the commissioner. The claim shall set forth, among other things, the total number of gallons of gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel for aircraft use upon which the claimant has directly or indirectly paid the excise tax provided for in this chapter, during the calendar year, which has been received, stored, or withdrawn from storage by the claimant in this state and not sold or otherwise disposed of to others. All claims for refunds under this subdivision shall be made on or before April 30 following the end of the calendar year for which the refund is claimed.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 296A.17, subdivision 2, is amended to read:

Subd. 2. **Claim for refund; aviation tax.** (a) Any person who buys gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel for aircraft use and who has paid the excise taxes directly or indirectly through the amount of the tax being included in the price, or otherwise, who does not use it in motor vehicles or receive, sell, store, or withdraw it from storage for the purpose of producing or generating power for propelling aircraft, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim in the form and manner prescribed by the commissioner. The claim shall state the total amount of the gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel for aircraft use purchased and used by the applicant, and shall state when and for what purpose it was used. On being satisfied that the claimant is entitled to payment, the commissioner shall approve the claim and transmit it to the commissioner of management and budget. The postmark on the envelope in which a written claim is mailed determines the date of filing.

(b) If a claim contains an error in preparation in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner.

(c) An applicant who files a claim that is false or fraudulent, is subject to the penalties provided in section 296A.23 for knowingly and willfully making a false claim.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 296A.17, subdivision 3, is amended to read:

Subd. 3. **Refund on graduated basis.** Any person who has directly or indirectly paid the excise tax on gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel for aircraft use provided for by this chapter and either paid the airflight property tax under section 270.072 or is an aerial applicator with a category B, general aerial license, under section 18B.33, shall, as to all such gasoline used as a substitute for aviation gasoline, aviation gasoline and special fuel received, stored, or withdrawn from storage by the person in this state in any calendar year and not sold or otherwise disposed of to others, or intended for sale or other disposition to others, on which such tax has been so paid, be entitled to the following graduated reductions in such tax for that calendar year, to be obtained by means of the following refunds:

(1) on each gallon of such gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel up to 50,000 gallons, all but five cents per gallon;

(2) on each gallon of such gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel above 50,000 gallons and not more than 150,000 gallons, all but two cents per gallon;

(3) on each gallon of such gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel above 150,000 gallons and not more than 200,000 gallons, all but one cent per gallon;

(4) on each gallon of such gasoline used as a substitute for aviation gasoline, aviation gasoline or special fuel above 200,000, all but one-half cent per gallon.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 18. Minnesota Statutes 2014, section 296A.18, subdivision 1, is amended to read:

Subdivision 1. **Intent; gasoline use.** All gasoline received in this state and all gasoline produced in or brought into this state except aviation gasoline, gasoline sold to a dealer of gasoline used as a substitute for aviation gasoline, and marine gasoline shall be determined to be intended for use in motor vehicles in this state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 19. Minnesota Statutes 2014, section 296A.18, subdivision 8, is amended to read:

Subd. 8. **Airports.** The revenues derived from the excise taxes on gasoline used as a substitute for aviation gasoline, aviation gasoline and on special fuel received, sold, stored, or withdrawn from storage as substitutes for aviation gasoline, shall be paid into the state treasury and credited to the state airports fund. There is hereby appropriated such sums as are needed to carry out the provisions of this subdivision.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 20. Minnesota Statutes 2014, section 296A.19, subdivision 1, is amended to read:

Subdivision 1. **Retention.** All distributors, dealers, special fuel dealers, bulk purchasers, dealers of gasoline used as a substitute for aviation gasoline, and all users of special fuel shall keep a true and accurate record of all purchases, transfers, sales, and use of petroleum products and special fuel, including copies of all sales tickets issued, in a form and manner approved by the commissioner, and shall retain all such records for 3-1/2 years.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 21. Minnesota Statutes 2014, section 297A.994, subdivision 4, is amended to read:

Subd. 4. **General fund allocations.** The commissioner must retain and deposit to the general fund the following amounts, as required by subdivision 3, clause (3):

(1) for state bond debt service support beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, periodic amounts so that not later than December 31, 2046, an aggregate amount equal to a present value of \$150,000,000 has been deposited in the general fund. To determine aggregate present value, the commissioner must consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedules of annual amounts. The present value date or dates must be based on the date or dates bonds are sold under section 16A.965, or the date or dates other state funds, if any, are deposited into the construction fund. The discount rate or rates must be based on the true interest cost of the bonds issued under section 16A.965, or an equivalent 30-year bond index, as determined by the commissioner of management and budget. The schedule of annual amounts must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city;

(2) for the capital improvement reserve appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 4;

(3) for the operating expense appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046,

an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 2;

(4) for recapture of state advances for capital improvements and operating expenses for calendar years 2016 through 2020 beginning in calendar year 2021, and for each calendar year thereafter until all amounts under this clause have been paid, proportionate amounts periodically until an aggregate amount equal to the present value of all amounts paid by the state have been deposited in the general fund. To determine the present value of the amounts paid by the state to the authority and the present value of amounts deposited to the general fund under this clause, the commissioner shall consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedule of annual amounts. The present value dates must be based on the dates state funds are paid to the authority, or the dates the commissioner of revenue deposits taxes for purposes of this clause to the general fund. The discount rates must be based on the reasonably equivalent cost of state funds as determined by the commissioner of management and budget. The schedule of annual amounts must be revised to reflect amounts paid under section 473J.13, subdivision 2, paragraph (b), for 2016 to 2020, and subdivision 4, paragraph (c), for 2016 to 2020, and taxes deposited to the general fund from time to time under this clause, and the schedule and revised schedules must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city, and are transferred as accrued from the general fund for repayment of advances made by the state to the authority; and

(5) to capture increases in taxes imposed under the special law, for the benefit of the Minnesota Sports Facilities Authority, beginning in calendar year 2013 and for each calendar year thereafter through 2046, there shall be deposited to the general fund in proportionate periodic payments in the following year, an amount equal to the following:

(i) 50 percent of the difference, if any, by which the amount of the net annual taxes for the previous year exceeds the sum of the net actual taxes in calendar year 2011 plus \$1,000,000, inflated at two percent per year since 2011, minus

(ii) 25 percent of the difference, if any, by which the amount of the net annual taxes for the preceding year exceeds the sum of the net actual taxes in calendar year 2011 plus \$3,000,000, inflated at two percent per year since 2011; and

(iii) of the amounts determined under items (i) and (ii), a total of \$2,700,000 shall be used to offset taxes paid by the NFL and its employees in connection with a world championship football game sponsored by the NFL played at the stadium.

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

**Sec. 22. [383B.83] LIMITS ON RAILROAD CONDEMNATION POWERS OVER CERTAIN GOVERNMENTAL PROPERTY INTERESTS.**

Notwithstanding anything to the contrary in chapter 117, sections 222.26, 222.27, and 222.36, or any other law, the powers of a foreign or domestic railroad corporation or a railroad company or a railroad interest acting as a public service corporation or a common carrier do not include the power to exercise eminent domain over a property interest of Hennepin County, the Hennepin County Housing and Redevelopment Authority, or the Hennepin County Regional Railroad Authority if the governmental power, by resolution of its governing board, determines based on specific findings that the public safety or access of first responders would be substantially and adversely affected by the exercise.

**EFFECTIVE DATE.** This section is effective retroactively from March 2, 2015, and applies to any eminent domain action to acquire any property interest of any of the named entities.

Sec. 23. **[465.95] BROADBAND SERVICE PUBLIC-PRIVATE PARTNERSHIPS.**

**Subdivision 1. Local authority; broadband service.** (a) A local unit of government may finance, acquire, and construct broadband equipment.

(b) Local units of government and broadband joint powers boards, authorized under subdivision 3, are authorized to partner or contract with a private provider or cooperative to finance, acquire and construct the broadband equipment. For purposes of this section, a "local unit of government" means a statutory city, a home rule charter city, or county.

**Subd. 2. Local authority; broadband infrastructure bonding.** (a) Each local unit of government may authorize the issuance of general obligation bonds to provide funds for the acquisition or betterment of its broadband infrastructure, or for refunding any outstanding bonds issued for that purpose. Bonds may only be issued by the local unit upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations.

(b) The proceeds of the bonds may also be used, in part, to establish a reserve as further security for the payment of the principal and interest of the bonds when due.

(c) The local unit of government may pledge its full faith, credit, and taxing powers, or the proceeds of any designated tax levies, or the gross or net revenues or charges to be derived from any broadband service operated for the local unit of government, or any combination thereof. Taxes levied for the payment of the bonds and interest shall not reduce the amounts of other taxes which the local unit of government is authorized by law to levy.

(d) Bonds issued under this section may be sold at public or private sale upon the terms and conditions the local unit of government determines. Except as otherwise provided, the bonds shall be issued and sold in accordance with the provisions of chapter 475.

**Subd. 3. Broadband joint powers board.** (a) A local unit of government may enter into an agreement under section 471.59 with other local units of government to finance, acquire, and construct broadband equipment in the territory within the jurisdiction of all participating local units of government.

(b) An agreement entered into under this section may provide that:

(1) each local unit of government shall issue bonds to pay their respective shares of the cost of the broadband projects;

(2) one of the local units of government shall issue bonds to pay the full costs of the project and the other participating local units of government shall levy the tax authorized under this subdivision and pledge the collections of the tax to the local unit of government that issues the bonds; or

(3) the joint powers board shall issue revenue bonds to pay the full costs of the project and the participating local units of government shall levy the tax authorized under this subdivision and pledge the collections of the tax to the joint powers entity for payment of the revenue bonds.

Bonds may only be issued by the local unit under this subdivision upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations.

Subd. 4. **Exemption.** Section 237.19 does not apply to broadband activities under this section.

Subd. 5. **Applicability.** Subdivisions 2 and 3 apply only when a local unit of government partners or enters into an agreement with a private provider or cooperative to operate and maintain broadband service and equipment.

Subd. 6. **Additional authority.** This section is in addition to and does not limit any other authority of a local unit of government to engage in the activities authorized by this section.

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

Sec. 24. Minnesota Statutes 2014, section 469.169, is amended by adding a subdivision to read:

Subd. 20. **Additional border city allocations; 2015.** In addition to the tax reductions authorized in subdivisions 12 to 19, the commissioner shall allocate \$2,000,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate this amount among cities on a per capita basis. Allocations made under this subdivision may be used for tax reductions under sections 469.171, 469.1732, and 469.1734, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary to retain a business within or attract a business to the zone.

**EFFECTIVE DATE.** This section is effective July 1, 2015.

Sec. 25. Minnesota Statutes 2014, section 469.40, subdivision 11, as amended by Laws 2015, chapter 1, section 6, is amended to read:

Subd. 11. **Public infrastructure project.** (a) "Public infrastructure project" means a project financed in part or in whole with public money in order to support the medical business entity's development plans, as identified in the DMCC development plan. A public infrastructure project may:

- (1) acquire real property and other assets associated with the real property;
- (2) demolish, repair, or rehabilitate buildings;
- (3) remediate land and buildings as required to prepare the property for acquisition or development;
- (4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;
- (5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;
- (6) install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure;

(7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district;

(8) prepare land for private development and to sell or lease land;

(9) provide costs of relocation benefits to occupants of acquired properties; and

(10) construct and equip all or a portion of one or more suitable structures on land owned by the city for sale or lease to private development; provided, however, that the portion of any structure directly financed by the city as a public infrastructure project must not be sold or leased to a medical business entity.

(b) A public infrastructure project is not a business subsidy under section 116J.993.

(c) Public infrastructure project includes the planning, preparation, and modification of the development plan under section 469.43, ~~and~~ The cost of that planning, preparation, and any modification is a capital cost of the public infrastructure project.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 26. Minnesota Statutes 2014, section 469.43, is amended by adding a subdivision to read:

**Subd. 6a. Restriction on city funds to support nonprofit economic development agency.** The nonprofit economic development agency shall not require the city to pay any amounts to the nonprofit economic development agency that are unrelated to public infrastructure project costs.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively from June 22, 2013.

Sec. 27. Minnesota Statutes 2014, section 469.45, subdivision 1, is amended to read:

Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding section 477A.016 or any other contrary provision of law, ordinance, or city charter, and in addition to any taxes the city may impose on these transactions under another statute or law, the city of Rochester may, by ordinance, impose at a rate or rates, determined by the city, any of the following taxes:

(1) a tax on the gross receipts from the furnishing for consideration of lodging and related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the city may choose to impose a differential tax based on the number of rooms in the facility;

(2) a tax on the gross receipts of food and beverages sold primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Rochester; the city may elect to impose the tax in a defined district of the city; and

(3) a tax on the admission receipts to entertainment and recreational facilities, as defined by ordinance, in the city of Rochester.

(b) The provisions of section 297A.99, subdivisions 4 to 13, govern the administration, collection, and enforcement of any tax imposed by the city under paragraph (a).

(c) The proceeds of any taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs or to pay any other costs qualifying as a local matching contribution under section 469.47, subdivision 4. Any tax imposed under paragraph (a) expires at the earlier of December 31, 2049, or when the city council determines that sufficient funds have been raised from the tax plus all other local funding sources authorized in Laws 2013, chapter 143, article 10, to meet the city obligation for financing public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 28. Minnesota Statutes 2014, section 469.45, subdivision 2, is amended to read:

Subd. 2. **General sales tax authority.** The city may elect to extend the existing local sales and use tax under Laws 2013, chapter 143, article 10, section 13, or to impose an additional rate of up to one quarter of one percent tax on sales and use under Laws 2013, chapter 143, article 10, section 11. The proceeds of any extended or additional taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including all financing costs. Revenues collected in any year to meet the obligations must be used for payment of obligations or expenses for public infrastructure projects approved by the corporation or of any other costs qualifying as a local matching contribution under section 469.47, subdivision 4.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 29. Minnesota Statutes 2014, section 469.47, subdivision 4, as amended by Laws 2015, chapter 1, section 10, is amended to read:

Subd. 4. **General aid; local matching contribution.** In order to qualify for general state infrastructure aid, the city must enter a written agreement with the commissioner that requires the city to make a qualifying local matching contribution to pay for \$128,000,000 of the cost of public infrastructure projects approved by the corporation, including financing costs, using funds other than state aid received under this section. Through June 30, 2020, the \$128,000,000 required local matching contribution is reduced by one-half of the any amounts the city pays for operating and administrative costs out of funds other than state aid received under this section for the support, administration, or operations of the corporation and the economic development agency up to a maximum amount agreed to by the board and the city. These amounts include any costs the city incurs in providing services, goods, or other support to the corporation or agency. Beginning on July 1, 2020, the required local matching contribution is reduced by one-half of the amounts the city pays for support, operating, and administrative costs of the corporation up to a maximum amount agreed to by the board and the city. The agreement must provide for the manner, timing, and amounts of the city contributions, including the city's commitment for each year. Notwithstanding any law to the contrary, the agreement may provide that the city contributions for

public infrastructure project principal costs may be made over a 20-year period at a rate not greater than \$1 from the city for each \$2.55 from the state. The local match contribution may be provided by the city from any source identified in section 469.45 and any other local tax proceeds or other funds from the city and may include providing funds to prepare the development plan, to assist developers undertaking projects in accordance with the development plan, or by the city directly undertaking public infrastructure projects in accordance with the development plan, provided the projects have been approved by the corporation. City contributions that are in excess of this ratio carry forward and are credited toward subsequent years. The commissioner and city may agree to amend the agreement at any time in light of new information or other appropriate factors. The city may enter into arrangements with the county to pay for or otherwise meet the local matching contribution requirement. Any public infrastructure project within the area that will be in the destination medical center development district whose implementation is started or funded by the city after June 22, 2013, but before the development plan is adopted, as provided by section 469.43, subdivision 1, will be included for the purposes of determining the amount the city has contributed as required by this section and the agreement with the commissioner, subject to approval by the corporation.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 30. Minnesota Statutes 2014, section 524.3-916, is amended to read:

**524.3-916 APPORTIONMENT OF ESTATE TAXES AND GENERATION-SKIPPING TAX.**

(a) For purposes of this section:

(1) "estate" means the gross estate of a decedent as determined for the purpose of federal estate tax or the estate tax payable to this state;

(2) "decedent's generation-skipping transfers" means all generation-skipping transfers as determined for purposes of the federal generation-skipping tax which occur by reason of the decedent's death which relate to property which is included in the decedent's estate;

(3) "person" means any individual, partnership, association, joint stock company, corporation, limited liability company, government, political subdivision, governmental agency, or local governmental agency;

(4) "person interested in the estate" means any person entitled to receive, or who has received, from a decedent or by reason of the death of a decedent any property or interest therein included in the decedent's estate. It includes a personal representative, guardian, conservator, trustee, and custodian;

(5) "state" means any state, territory, or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico;

(6) "estate tax" means the federal estate tax and the state estate tax determined by the commissioner of revenue pursuant to chapter 291 and interest and penalties imposed in addition to the tax;

(7) "decendent's generation-skipping tax" means the federal generation-skipping tax imposed on the decendent's generation-skipping transfers and interest and penalties imposed in addition to the tax;

(8) "fiduciary" means personal representative or trustee.

(b) ~~Unless the will or other governing instrument otherwise provides:~~ Any tax occasioned by a decendent's death shall be apportioned as set forth in clauses (1) to (4).

(1) ~~the Estate tax taxes shall be apportioned among all persons interested in the estate. The apportionment is to be made in the proportion that the value of the interest of each person interested in the estate bears to the total value of the interests of all persons interested in the estate. The values used in determining the tax are to shall be used for that purpose; and in apportioning the tax.~~

(2) Notwithstanding the general rule set forth in clause (1), if property is included in the decendent's gross estate pursuant to section 2044 of the Internal Revenue Code of 1986, as amended, or any similar provision of any state estate tax law, the difference between the total estate tax payable by the decendent's estate and the amount of estate tax that would have been payable by the decendent's estate if the property had not been included in the decendent's gross estate shall be apportioned ratably among the holders of interests in the property. The values used in determining the tax shall be used in apportioning the tax. The balance of the tax, if any, shall be apportioned as provided in clause (1).

(3) The decendent's generation-skipping tax shall be apportioned as provided by federal law. To the extent not provided by federal law, the decendent's generation-skipping tax shall be apportioned among all persons receiving the decendent's generation-skipping transfers whose tax apportionment is not provided by federal law in the proportion that the value of the transfer to each person bears to the total value of all such transfers.

(4) If the decendent's will or other written instrument directs a method of apportionment of estate tax or of the decendent's generation-skipping tax different from the method methods described in this section, the method described in the will or other written instrument controls shall control; provided, however, that:

(i) unless the decendent's will or other written instrument specifically indicates an intent to waive any right of recovery under section 2207A of the Internal Revenue Code of 1986, as amended, estate taxes on property described in clause (2) must be apportioned under the method described in this section to property included in the decendent's estate under section 2044 of the Internal Revenue Code of 1986, as amended clause (2); and

(ii) unless the decendent's will or other written instrument specifically indicates an intent to waive any right of recovery under section 2207B of the Internal Revenue Code of 1986, as amended, estate taxes must be apportioned under the method described in this section to on property included in the decendent's estate under section 2036 of the Internal Revenue Code of 1986, as amended, must be apportioned under the method described in clause (1).

(c)(1) The court in which venue lies for the administration of the estate of a decendent, on petition for the purpose may determine the apportionment of the estate tax or of the decendent's generation-skipping tax.

(2) If the court finds that it is inequitable to apportion interest and penalties in the manner provided in subsection (b), because of special circumstances, it may direct apportionment thereof in the manner it finds equitable.

(3) If the court finds that the assessment of penalties and interest assessed in relation to the estate tax or the decedent's generation-skipping tax is due to delay caused by the negligence of the fiduciary, the court may charge the fiduciary with the amount of the assessed penalties and interest.

(4) In any action to recover from any person interested in the estate the amount of the estate tax or of the decedent's generation-skipping tax apportioned to the person in accordance with this section the determination of the court in respect thereto shall be prima facie correct.

(d)(1) The personal representative or other person in possession of the property of the decedent required to pay the estate tax or the decedent's generation-skipping tax may withhold from any property distributable to any person interested in the estate, upon its distribution, the amount of any taxes attributable to the person's interest. If the property in possession of the personal representative or other person required to pay any taxes and distributable to any person interested in the estate is insufficient to satisfy the proportionate amount of the taxes determined to be due from the person, the personal representative or other person required to pay any taxes may recover the deficiency from the person interested in the estate. If the property is not in the possession of the personal representative or the other person required to pay any taxes, the personal representative or the other person required to pay any taxes may recover from any person interested in the estate the amount of any taxes apportioned to the person in accordance with this section.

(2) If property held by the personal representative or other person in possession of the property of the decedent required to pay the estate tax or the decedent's generation-skipping tax is distributed prior to final apportionment of the estate tax or the decedent's generation-skipping tax, the distributee shall provide a bond or other security for the apportionment liability in the form and amount prescribed by the personal representative or other person, as the case may be.

(e)(1) In making an apportionment, allowances shall be made for any exemptions granted, any classification made of persons interested in the estate and for any deductions and credits allowed by the law imposing the tax.

(2) Any exemption or deduction allowed by reason of the relationship of any person to the decedent, by reason of the purposes of the gift, or by allocation to the gift (either by election by the fiduciary or by operation of federal law), inures to the benefit of the person bearing such relationship or receiving the gift; but if an interest is subject to a prior present interest which is not allowable as a deduction, the tax apportionable against the present interest shall be paid from principal.

(3) Any deduction for property previously taxed and any credit for gift taxes or death taxes of a foreign country paid by the decedent or the decedent's estate inures to the proportionate benefit of all persons liable to apportionment.

(4) Any credit for inheritance, succession or estate taxes or taxes in the nature thereof applicable to property or interests includable in the estate, inures to the benefit of the persons or interests chargeable with the payment thereof to the extent proportionately that the credit reduces the tax.

(5) To the extent that property passing to or in trust for a surviving spouse or any charitable, public or similar gift or devise is not an allowable deduction for purposes of the estate tax solely by reason of an estate tax imposed upon and deductible from the property, the property is not included

in the computation provided for in subsection (b)(1) hereof, and to that extent no apportionment is made against the property. The sentence immediately preceding does not apply to any case if the result would be to deprive the estate of a deduction otherwise allowable under section 2053(d) of the Internal Revenue Code of 1986, as amended, of the United States, relating to deduction for state death taxes on transfers for public, charitable, or religious uses.

(f) No interest in income and no estate for years or for life or other temporary interest in any property or fund is subject to apportionment as between the temporary interest and the remainder. The estate tax on the temporary interest and the estate tax, if any, on the remainder is chargeable against the corpus of the property or funds subject to the temporary interest and remainder. The decedent's generation-skipping tax is chargeable against the property which constitutes the decedent's generation-skipping transfer.

(g) Neither the personal representative nor other person required to pay the tax is under any duty to institute any action to recover from any person interested in the estate the amount of the estate tax or of the decedent's generation-skipping tax apportioned to the person until the final determination of the tax. A personal representative or other person required to pay the estate tax or decedent's generation-skipping tax who institutes the action within a reasonable time after final determination of the tax is not subject to any liability or surcharge because any portion of the tax apportioned to any person interested in the estate was collectible at a time following the death of the decedent but thereafter became uncollectible. If the personal representative or other person required to pay the estate tax or decedent's generation-skipping tax cannot collect from any person interested in the estate the amount of the tax apportioned to the person, the amount not recoverable shall be equitably apportioned among the other persons interested in the estate who are subject to apportionment of the tax involved.

(h) A personal representative acting in another state or a person required to pay the estate tax or decedent's generation-skipping tax domiciled in another state may institute an action in the courts of this state and may recover a proportionate amount of the federal estate tax, of an estate tax payable to another state or of a death duty due by a decedent's estate to another state, or of the decedent's generation-skipping tax, from a person interested in the estate who is either domiciled in this state or who owns property in this state subject to attachment or execution. For the purposes of the action the determination of apportionment by the court having jurisdiction of the administration of the decedent's estate in the other state is prima facie correct.

**Sec. 31. ADMINISTRATIVE APPROPRIATIONS.**

(a) \$300,000 in fiscal year 2017 is appropriated from the general fund to the commissioner of natural resources for administering this act. The funding base for this appropriation in fiscal year 2018 and thereafter is \$200,000.

(b) \$1,000,000 in fiscal year 2016 and \$700,000 in fiscal year 2017 are appropriated from the general fund to the commissioner of revenue for administering this act. The funding base for this appropriation in fiscal year 2018 and thereafter is \$600,000.

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

**Sec. 32. REPEALER.**

(a) Minnesota Statutes 2014, section 3.192, is repealed.

(b) Minnesota Rules, part 8125.1300, subpart 3, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective retroactively from January 1, 2014. Paragraph (b) is effective the day following final enactment.

### ARTICLE 13

#### DEPARTMENT POLICY AND TECHNICAL PROVISIONS - INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2014, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States;

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers; and

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period; ~~unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.~~

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

Sec. 2. Minnesota Statutes 2014, section 289A.08, subdivision 16, is amended to read:

Subd. 16. **Tax refund or return preparers; electronic filing; paper filing fee imposed.** (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (f), who is a tax return preparer for purposes of section 6011(e) of the Internal Revenue Code, and who reasonably expects to prepare more than ten Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns for the prior calendar year must file all Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns prepared for that calendar year by electronic means.

(b) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

(c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (b), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 3. Minnesota Statutes 2014, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

- (1) name of the person;
  - (2) the name of the employee or payee and the employee's or payee's Social Security account number;
  - (3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and
  - (4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.
- (b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.
- (c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.
- (d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, ~~along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1,~~ must be filed with the commissioner on or before February 28 of the year after the payments were made.
- (e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.
- (f) The employer must submit the statements required to be sent to the commissioner ~~in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. An employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more~~

~~than 25 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For statements issued for wages paid in 2011 and after, the threshold is ten. All statements issued for withholding required under section 290.92 are aggregated for purposes of determining whether the electronic submission threshold is met. The commissioner shall prescribe the content, format, and manner of the statement pursuant to section 270C.30.~~

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

**EFFECTIVE DATE.** This section is effective for statements required to be sent to the commissioner after December 31, 2015.

Sec. 4. Minnesota Statutes 2014, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; Reporting exempt interest and exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or exempt-interest dividends and paying as nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder recipient by February 15 of the year following the year of the payment. The return provided to the shareholder recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the regulated investment company payor must file a copy of the return with the commissioner.

(b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

(3) "Exempt interest" means 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, and exempt from federal income taxes under the Internal Revenue Code or any other federal statute.

**EFFECTIVE DATE.** This section is effective for reports required to be filed after December 31, 2015.

Sec. 5. Minnesota Statutes 2014, section 289A.60, subdivision 28, is amended to read:

Subd. 28. **Preparer identification number.** Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under

section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota tax return for an individual income tax return, corporation, S corporation, partnership, fiduciary, or claim for refund and fails to include the required number on the return or claim is subject to a penalty of \$50 for each failure.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2014.

Sec. 6. Minnesota Statutes 2014, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year

under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

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

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause ~~(12)~~ (11), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause ~~(12)~~ (11), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, including compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, and "active service" includes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10; or the authority of the United Nations;

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

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(13)~~ (12), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(13)~~ (12), in the case of a shareholder of a

corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

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

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19a, clause (13);

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c);

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code;

(19) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code;

(20) the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code; and

(21) to the extent included in federal taxable income, the amount of qualified transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal Revenue Code. The subtraction is limited to the lesser of the amount of qualified transportation fringe benefits received in excess of the limitations under section 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A) of the Internal Revenue Code.

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

Sec. 7. Minnesota Statutes 2014, 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 amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

~~(9) 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;~~

~~(10)~~ (9) 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;

~~(11)~~ (10) 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;

~~(12)~~ (11) 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;

~~(13)~~ (12) 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;

~~(14)~~ (13) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

~~(15)~~ (14) the amount of expenses disallowed under section 290.10, subdivision 2; and

~~(16)~~ (15) 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 the day following final enactment.

Sec. 8. Minnesota Statutes 2014, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

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

(6) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (8), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income

beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

~~(8)~~ (7) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under subdivision 19c, clause (1), in a prior taxable year;

~~(9)~~ (8) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

~~(10)~~ (9) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

~~(11)~~ (10) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

~~(12)~~ (11) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(13)~~ (12) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(14)~~ (13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(12)~~ (11), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause ~~(12)~~ (11). The resulting delayed depreciation cannot be less than zero;

~~(15)~~ (14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(13)~~ (12), an amount equal to one-fifth of the amount of the addition;

~~(16)~~ (15) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19c, clause ~~(16)~~ (15); and

~~(17)~~ (16) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code.

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

Sec. 9. Minnesota Statutes 2014, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2012.

Sec. 10. Minnesota Statutes 2014, section 290.091, subdivision 3, is amended to read:

Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum tax, the exemption amount is, for taxable years beginning after December 31, 2005, \$60,000 for married couples filing joint returns, \$30,000 for married individuals filing separate returns, estates, and trusts, and \$45,000 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out.

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), ~~clause (2)~~; must be adjusted for inflation. The commissioner shall adjust the exemption amount by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2005" shall be substituted for the word "1992." For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. The exemption amount as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

Sec. 11. Minnesota Statutes 2014, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be

computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(12)~~ (11), is disallowed in determining alternative minimum taxable income.

(2) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(14)~~ (13), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause ~~(8)~~ (7).

(10) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

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

Sec. 12. Minnesota Statutes 2014, section 290A.19, is amended to read:

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

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made

available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request.

(b) The commissioner may require the owner or managing agent, through a simple process, to furnish to the commissioner on or before March 1 a copy of each certificate of rent paid furnished to a renter for rent paid in the prior year, in the content, format, and manner prescribed by the commissioner pursuant to section 270C.30. Prior to implementation, the commissioner, after consulting with representatives of owners or managing agents, shall develop an implementation and administration plan for the requirements of this paragraph that attempts to minimize financial burdens, administration and compliance costs, and takes into consideration existing systems of owners and managing agents.

(c) For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

**EFFECTIVE DATE.** This section is effective for certificates of rent paid for rent paid after December 31, 2014.

Sec. 13. Minnesota Statutes 2014, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with section 500.24.

(3) For property taxes payable in the taxable year of the decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

(4) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24.

(5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent. No property shall cease to be qualified farm property solely because a residence existing at the time of the decedent's death is reclassified as class 4bb property under section 273.13, subdivision 25, during the three-year period. No property shall cease to be qualified farm property solely because a portion consisting of no more than one-fifth is reclassified as 2b property under section 273.13, subdivision 23, during the three-year period, so long as the qualified heir has not substantially altered the reclassified property during the holding period.

(6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 14. Minnesota Statutes 2014, section 291.031, is amended to read:

**291.031 CREDIT.**

(a) The estate of a nonresident decedent that is subject to tax under this chapter on the value of Minnesota situs property held in a pass-through entity is allowed a credit against the tax due under section 291.03 equal to the lesser of:

(1) the amount of estate or inheritance tax paid to another state that is attributable to the Minnesota situs property held in the pass-through entity; or

(2) the amount of tax ~~paid under this section~~ due under section 291.03 attributable to the Minnesota situs property held in the pass-through entity.

(b) The amount of tax attributable to the Minnesota situs property held in the pass-through entity must be determined by the increase in the estate or inheritance tax that results from including the market value of the property in the estate or treating the value as a taxable inheritance to the recipient of the property.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 15. **REPEALER.**

Minnesota Rules, part 8092.2000, is repealed.

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

**ARTICLE 14**

**DEPARTMENT POLICY AND TECHNICAL PROVISIONS - SPECIAL TAXES AND SALES TAXES**

Section 1. Minnesota Statutes 2014, section 69.021, subdivision 5, is amended to read:

Subd. 5. **Calculation of state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by ~~town and farmers'~~ township mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) In addition to the amount for apportionment of police state aid under paragraph (b), each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

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

Sec. 2. Minnesota Statutes 2014, section 289A.38, subdivision 6, is amended to read:

Subd. 6. **Omission in excess of 25 percent.** Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return, or a return for a tax imposed under section 295.52, an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

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

Sec. 3. Minnesota Statutes 2014, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) ~~town and farmers'~~ township mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and

(7) a qualified business as defined under section 469.310, subdivision 11, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

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

Sec. 4. Minnesota Statutes 2014, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 4. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52, subdivision 3. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision 4, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as ~~provided under section 295.55, subdivision 5~~ prescribed by the commissioner, on or before March 15 of the year following the calendar year the legend drugs were delivered outside Minnesota. The refund must be claimed within 18 months from the date the drugs were delivered outside of Minnesota shall not be allowed if the initial claim for refund is filed more than one year after the original due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return if a return is due or the date of the actual claim for refund, whichever is later.

**EFFECTIVE DATE.** This section is effective for qualifying legend drugs delivered outside Minnesota after December 31, 2014.

Sec. 5. Minnesota Statutes 2014, section 296A.01, is amended by adding a subdivision to read:

Subd. 9a. **Bulk storage or bulk storage facility.** "Bulk storage" or "bulk storage facility" means a single property, or contiguous or adjacent properties used for a common purpose and owned or operated by the same person, on or in which are located one or more stationary tanks that are used singularly or in combination for the storage or containment of more than 1,100 gallons of petroleum.

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

Sec. 6. Minnesota Statutes 2014, section 296A.01, subdivision 33, is amended to read:

Subd. 33. **Motor fuel.** "Motor fuel" means a liquid or gaseous form of fuel, regardless of its composition or properties, used to propel a motor vehicle.

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

Sec. 7. Minnesota Statutes 2014, section 296A.01, subdivision 42, is amended to read:

Subd. 42. **Petroleum products.** "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 8a, 8b, 10, 14, 16, 19, 20, 22 to 26, 28, 32, and 35.

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

Sec. 8. Minnesota Statutes 2014, section 296A.07, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline used in producing and generating power for propelling motor vehicles used on the public highways of this state. The tax is imposed on the first licensed distributor who received the product in Minnesota. For purposes of this section, gasoline is defined in section 296A.01, subdivisions 8b, 10, 18, 20, 23, 24, 25, 32, and 34. The tax is payable at the time and in the form and manner prescribed by the commissioner. The tax is payable at the rates specified in subdivision 3, subject to the exceptions and reductions specified in section 296A.17.

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

Sec. 9. Minnesota Statutes 2014, section 297A.82, subdivision 4a, is amended to read:

Subd. 4a. **Deposit in state airports fund.** Tax revenue, including interest and penalties, collected from the sale or purchase of an aircraft taxable under this chapter must be deposited in the state airports fund established in section 360.017. For purposes of this subdivision, "revenue" does not include the revenue, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

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

Sec. 10. Minnesota Statutes 2014, section 297E.02, subdivision 7, is amended to read:

Subd. 7. **Untaxed gambling product.** (a) In addition to penalties or criminal sanctions imposed by this chapter, a person, organization, or business entity possessing or selling a pull-tab, electronic pull-tab game, or tipboard upon which the tax imposed by this chapter has not been paid is liable for a tax of six percent of the ideal gross of each pull-tab, electronic pull-tab game, or tipboard. The tax on a partial deal must be assessed as if it were a full deal.

(b) In addition to penalties and criminal sanctions imposed by this chapter, a person (1) not licensed by the board who conducts bingo, linked bingo, electronic linked bingo, raffles, or paddlewheel games, or (2) who conducts gambling prohibited under sections 609.75 to 609.763, other than activities subject to tax under section 297E.03, is liable for a tax of six percent of the gross receipts from that activity.

(c) The tax ~~must~~ may be assessed by the commissioner. An assessment must be considered a jeopardy assessment or jeopardy collection as provided in section 270C.36. The commissioner shall assess the tax based on personal knowledge or information available to the commissioner. The commissioner shall mail to the taxpayer at the taxpayer's last known address, or serve in person, a written notice of the amount of tax, demand its immediate payment, and, if payment is not immediately made, collect the tax by any method described in chapter 270C, except that the commissioner need not await the expiration of the times specified in chapter 270C. The tax assessed by the commissioner is presumed to be valid and correctly determined and assessed. The burden is upon the taxpayer to show its incorrectness or invalidity. The tax imposed under this subdivision does not apply to gambling that is exempt from taxation under subdivision 2.

(d) A person, organization, or business entity conducting gambling activity under this subdivision must file monthly tax returns with the commissioner, in the form required by the commissioner. The returns must be filed on or before the 20th day of the month following the month in which the gambling activity occurred. The tax imposed by this section is due and payable at the time when the returns are required to be filed.

(e) Notwithstanding any law to the contrary, neither the commissioner nor a public employee may reveal facts contained in a tax return filed with the commissioner of revenue as required by this subdivision, nor can any information contained in the report or return be used against the tax obligor in any criminal proceeding, unless independently obtained, except in connection with a proceeding involving taxes due under this section, or as provided in section 270C.055, subdivision 1. However, this paragraph does not prohibit the commissioner from publishing statistics that do not disclose the identity of tax obligors or the contents of particular returns or reports. Any person violating this paragraph is guilty of a gross misdemeanor.

**EFFECTIVE DATE.** This section is effective for games played or purchased after June 30, 2015.

Sec. 11. Minnesota Statutes 2014, section 297H.06, subdivision 2, is amended to read:

Subd. 2. **Materials.** The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of nonmixed municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and nonmixed municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized on a bill to the generator;

(3) recyclable nonmixed municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) source-separated compostable waste materials, if the waste is materials are delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the Pollution Control Agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. The facility must annually apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency.

The commissioner of revenue shall grant the exemption if the commissioner of the Pollution Control Agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

- (i) generators separate materials at the source;
- (ii) the separation is performed in a manner appropriate to the technology specific to the facility that:
  - (A) maximizes the quality of the product;
  - (B) minimizes the toxicity and quantity of ~~residuals~~ rejects; and
  - (C) provides an opportunity for significant improvement in the environmental efficiency of the operation;
- (iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;
- (iv) process ~~residuals~~ rejects do not exceed 15 percent of the weight of the total material delivered to the facility; and
- (v) the final product is accepted for use;
- (8) waste and waste by-products for which the tax has been paid; and
- (9) daily cover for landfills that has been approved in writing by the Minnesota Pollution Control Agency.

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

Sec. 12. Minnesota Statutes 2014, section 297I.05, subdivision 2, is amended to read:

Subd. 2. ~~Town and farmers' township mutual insurance.~~ **Township mutual insurance.** A tax is imposed on ~~town and farmers' township mutual insurance companies.~~ The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

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

Sec. 13. Minnesota Statutes 2014, section 297I.10, subdivision 1, is amended to read:

Subdivision 1. **Cities of the first class.** (a) The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in a city of the first class, or by its agents for it, in cash or otherwise.

(b) By July 31 and December 31 of each year, the commissioner of ~~management and budget~~ shall pay to each city of the first class a warrant for an amount equal to the total amount of the surcharge on the premiums collected within that city since the previous payment.

(c) The treasurer of the city shall place the money received under this subdivision in a special account or fund to defray all or a portion of the employer contribution requirement of public employees police and fire plan coverage for city firefighters.

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

Sec. 14. Minnesota Statutes 2014, section 297I.10, subdivision 3, is amended to read:

Subd. 3. **Appropriation.** The amount necessary to make the payments required under this section is appropriated to the commissioner of ~~management and budget~~ from the general fund.

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

Sec. 15. Minnesota Statutes 2014, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses are included in gross income. The allowable deductions from a mine or plant that mines and produces more than one mineral, metal, or energy resource must be determined separately for the purposes of computing the deduction in section 290.01, subdivision 19c, clause (8). These deductions may be combined on one occupation tax return to arrive at the deduction from gross income for all production.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (8), and 19d, clauses (6) and ~~(9)~~ (8), are not used to determine taxable income.

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

Sec. 16. Minnesota Statutes 2014, section 298.01, subdivision 4c, is amended to read:

Subd. 4c. **Special deductions; net operating loss.** (a) For purposes of determining taxable income under subdivision 4, the provisions of section 290.01, subdivisions 19c, clauses (6) and (8), and 19d, clauses (6) and ~~(9)~~ (8), are not used to determine taxable income.

(b) ~~The amount of net operating loss incurred in a taxable year beginning before January 1, 1990, that may be carried over to a taxable year beginning after December 31, 1989, is the amount of net operating loss carryover determined in the calculation of the hypothetical corporate franchise tax under Minnesota Statutes 1988, sections 298.40 and 298.402.~~

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

## ARTICLE 15

### DEPARTMENT OF REVENUE TECHNICAL AND POLICY - PROPERTY TAX PROVISIONS

Section 1. Minnesota Statutes 2014, section 13.51, subdivision 2, is amended to read:

Subd. 2. **Income property assessment data.** The following data collected by political subdivisions and the state from individuals or business entities concerning income properties are classified as private or nonpublic data pursuant to section 13.02, subdivisions 9 and 12:

- (a) detailed income and expense figures;
- (b) average vacancy factors;
- (c) verified net rentable areas or net usable areas, whichever is appropriate;

- (d) anticipated income and expenses;
- (e) projected vacancy factors; and
- (f) lease information.

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

Sec. 2. Minnesota Statutes 2014, section 270.071, subdivision 2, is amended to read:

Subd. 2. **Air commerce.** ~~(a) "Air commerce" means the transportation by aircraft of persons or property for hire in interstate, intrastate, or international transportation on regularly scheduled flights or on intermittent or irregularly timed flights by airline companies and includes transportation by any airline company making three or more flights in or out of Minnesota, or within Minnesota, during a calendar year.~~

~~(b) "Air commerce" includes but is not limited to an intermittent or irregularly timed flight, a flight arranged at the convenience of an airline and the person contracting for the transportation, or a charter flight. It includes any airline company making three or more flights in or out of Minnesota during a calendar year.~~

~~(c) "Air commerce" does not include casual transportation for hire by aircraft commonly owned and used for private air flight purposes if the person furnishing the transportation does not hold out to be engaged regularly in transportation for hire.~~

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 3. Minnesota Statutes 2014, section 270.071, subdivision 7, is amended to read:

Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment. Flight property does not include aircraft with a maximum takeoff weight of less than 30,000 pounds.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 270.071, subdivision 8, is amended to read:

Subd. 8. **Person.** "Person" means ~~any~~ an individual, ~~corporation, firm, copartnership, company, or association, and includes any guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity therefor~~ trust, estate, fiduciary, partnership, company, corporation, limited liability company, association, governmental unit or agency, public or private organization of any kind, or other legal entity.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 270.071, is amended by adding a subdivision to read:

Subd. 10. **Intermittent or irregularly timed flights.** "Intermittently or irregularly timed flights" means any flight in which the departure time, departure location, and arrival location are specifically negotiated with the customer or the customer's representative, including but not limited to charter flights.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** Flight property that is owned by, or is leased, loaned, or otherwise made available to an airline company operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. ~~Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.~~

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 7. Minnesota Statutes 2014, section 270.072, subdivision 3, is amended to read:

Subd. 3. **Report by airline company.** (a) Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company ~~or person should be excluded from~~ is exempt from filing because its activities do not constitute air commerce as defined herein.

(b) The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

**EFFECTIVE DATE.** The amendment to paragraph (a) is effective for reports filed in 2016 and thereafter. The amendment adding paragraph (b) is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2014, section 270.072, is amended by adding a subdivision to read:

Subd. 3a. **Commissioner filed reports.** If an airline company fails to file a report required by subdivision 3, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the airline company, or may issue a notice of net tax capacity and tax under section 270.075, subdivision 2.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 270.12, is amended by adding a subdivision to read:

Subd. 6. **Reassessment orders.** If the State Board of Equalization determines that a considerable amount of property has been undervalued or overvalued compared to like property such that the assessment is grossly unfair or inequitable, the State Board of Equalization may, pursuant to its responsibilities under subdivisions 2 and 3, issue orders to the county assessor to reassess all or any part of a parcel in a county.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 270.82, subdivision 1, is amended to read:

Subdivision 1. **Annual report required.** Every railroad company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections 270.80 to 270.87. The commissioner shall prescribe the content,

format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 11. Minnesota Statutes 2014, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file by April 1 with the commissioner a copy of the abstract that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. ~~It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.~~

**EFFECTIVE DATE.** This section is effective for county boards of appeal and equalization meetings held in 2016 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 272.02, subdivision 9, is amended to read:

Subd. 9. **Personal property; exceptions.** Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of (i) an electric generating, transmission, or distribution system ~~or; (ii) a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;~~

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

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

Sec. 13. Minnesota Statutes 2014, section 272.029, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same ~~calendar year~~ 12-month period as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

**EFFECTIVE DATE.** This section is effective for reports filed in 2016 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~February 1~~ January 15 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 60 percent.

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

**EFFECTIVE DATE.** This section is effective for reports filed in 2016 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 272.029, is amended by adding a subdivision to read:

Subd. 8. **Extension.** The commissioner may, for good cause, extend the time for filing the report required by subdivision 4. The extension must not exceed 15 days.

**EFFECTIVE DATE.** This section is effective for reports filed in 2016 and thereafter.

Sec. 16. Minnesota Statutes 2014, section 273.032, is amended to read:

**273.032 MARKET VALUE DEFINITION.**

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "estimated market value," and "market valuation," whether equalized or unequalized, mean the estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

- (i) section 273.11, subdivisions 14a and 14c (vacant platted land);
- (ii) section 273.11, subdivision 16 (certain improvements to homestead property);
- (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);
- (iv) section 273.11, subdivision 21 (homestead property damaged by mold);
- (v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);
- ~~(vi)~~ (v) section 273.13, subdivision 34 (homestead of a disabled veteran or family caregiver); or
- ~~(vii)~~ (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

- (i) the Minnesota Agricultural Property Tax Law, section 273.111;
- (ii) the Aggregate Resource Preservation Law, section 273.1115;
- (iii) the Minnesota Open Space Property Tax Law, section 273.112;
- (iv) the rural preserves property tax program, section 273.114; or
- (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

- (i) tax increment financing under sections 469.174 to 469.1794;
- (ii) fiscal disparities under chapter 276A or 473F; or

(iii) powerline credit under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "estimated market value," and "market valuation" for purposes of property tax levy limitations and calculation of state aid, refer to the estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

Sec. 17. Minnesota Statutes 2014, section 273.061, subdivision 7, is amended to read:

Subd. 7. **Division of duties between local and county assessor.** The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor shall must perform the duties enumerated in subdivision 8, clause (16), and must enter construction and valuation data into the records in the manner prescribed by the county auditor.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 18. Minnesota Statutes 2014, section 273.08, is amended to read:

**273.08 ASSESSOR'S DUTIES.**

The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of five years and shall enter the value opposite each description. When directed by the county assessor, local assessors must enter construction and valuation data into the records in the manner prescribed by the county assessor.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 19. Minnesota Statutes 2014, section 273.121, is amended by adding a subdivision to read:

Subd. 3. **Compliance.** A county assessor, or a city assessor having the powers of a county assessor, who does not comply with the timely notice requirement under subdivision 1 must:

(1) mail an additional valuation notice to each person who was not provided timely notice; and

(2) convene a supplemental local board of appeal and equalization or local review session no sooner than ten days after sending the additional notices required by clause (1).

**EFFECTIVE DATE.** This section is effective for valuation notices sent in 2016 and thereafter.

Sec. 20. Minnesota Statutes 2014, section 273.33, subdivision 1, is amended to read:

Subdivision 1. **Listing and assessment in county.** The personal property of express, stage and transportation companies, and of pipeline companies engaged in the business of transporting ~~natural gas, gasoline, crude oil, or other petroleum~~ products, except as otherwise provided by law, shall be listed and assessed in the county, town or district where the same is usually kept.

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

Sec. 21. Minnesota Statutes 2014, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting ~~natural gas, gasoline, crude oil, or other petroleum~~ products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas products to consumers at retail nor to pipelines used by the owner thereof to supply ~~natural gas or other petroleum~~ products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the ~~natural gas or other petroleum~~ products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas products actually transported over such pipeline that is not used for the owner's own consumption. On or before August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located. If the commissioner determines that the amount of personal property assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 22. Minnesota Statutes 2014, section 273.371, is amended to read:

#### **273.371 REPORTS OF UTILITY COMPANIES.**

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, and transportation ~~company~~, and pipeline company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, 273.37, and 273.3711. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available.

Subd. 2. **Extension.** The commissioner for good cause may extend the time for filing the report required by subdivision 1. The extension ~~may~~ must not exceed 15 days.

Subd. 3. **Reports filed by the commissioner.** If a company fails to file a report required by subdivision 1, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the company, or make the valuations, recommended valuations, and equalizations required under sections 273.33, 273.35 to 273.37, and 273.3711.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 23. Minnesota Statutes 2014, section 273.372, subdivision 2, is amended to read:

Subd. 2. **Contents and filing of petition.** (a) In all appeals to court that are required to be brought against the commissioner under this section, the petition initiating the appeal must be served on the commissioner and must be filed with the Tax Court in Ramsey County, as provided in paragraph (b) or (c).

(b) If the appeal to court is from an order of the commissioner, it must be brought under chapter 271 and filed within the time period prescribed in section 271.06, subdivision 2, except that when the provisions of this section conflict with chapter 271 or 278, this section prevails. In addition, the petition must include all the parcels encompassed by that order which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt. For this purpose, an order of the commissioner is either (1) a certification or notice of value by the commissioner for property described in subdivision 1, or (2) the final determination by the commissioner of either an administrative appeal conference or informal administrative appeal described in subdivision 4.

(c) If the appeal is from the tax that results from implementation of the commissioner's order, certification, or recommendation, it must be brought under chapter 278, and the provisions in that chapter apply, except that service shall be on the commissioner only and not on the local officials specified in section 278.01, subdivision 1, and if any other provision of this section conflicts with chapter 278, this section prevails. In addition, the petition must include either all the utility parcels or all the railroad parcels in the state in which the petitioner claims an interest and which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 24. Minnesota Statutes 2014, section 273.372, subdivision 4, is amended to read:

Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under section 270.82 or 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner prior to bringing an action in court.

(b) ~~Companies that must submit reports under section 270.82 must submit file~~ a written request ~~to for an appeal with the commissioner for a conference~~ within ten 30 days after the notice date of the commissioner's valuation certification or other notice to the company, or by June 15, whichever is earlier. For purposes of this section, the term "notice date" means the date of the valuation certification, commissioner's order, recommendation, or other notice.

(c) ~~Companies that submit reports under section 273.371 must submit a written request to the commissioner for a conference within ten days after the date of the commissioner's valuation~~

certification or notice to the company, or by July 1, whichever is earlier. The appeal need not be in any particular form but must contain the following information:

- (1) name and address of the company;
- (2) the date;
- (3) its Minnesota identification number;
- (4) the assessment year or period involved;
- (5) the findings in the valuation that the company disputes;
- (6) a summary statement specifying its reasons for disputing each item; and
- (7) the signature of the company's duly authorized agent or representative.

(d) When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period of not more than 15 days from the expiration of the time for filing the appeal.

~~(d)~~ (e) The commissioner shall conduct the conference either in person or by telephone upon the commissioner's entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the commissioner's valuation certification or notice to the company, or by the date specified by the commissioner in an extension request for an appeal. Within 60 30 days after the conference the commissioner shall make a final determination of the matter and shall notify the company promptly of the determination. The conference is not a contested case hearing subject to chapter 14.

(e) In addition to the opportunity for a conference under paragraph (a), the commissioner shall also provide the railroad and utility companies the opportunity to discuss any questions or concerns relating to the values established by the commissioner through certification or notice in a less formal manner. This does not change or modify the deadline for requesting a conference under paragraph (a), the deadline in section 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for appealing property taxes in court.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 25. Minnesota Statutes 2014, section 273.372, is amended by adding a subdivision to read:

Subd. 5. **Agreement determining valuation.** When it appears to be in the best interest of the state, the commissioner may settle any matter under consideration regarding an appeal filed under this section. The agreement must be in writing and signed by the commissioner and the company or the company's authorized representative. The agreement is final and conclusive, and except upon a showing of fraud, malfeasance, or misrepresentation of a material fact, the case may not be reopened as to the matters agreed upon.

**EFFECTIVE DATE.** This section is effective for assessment year 2016 and thereafter.

Sec. 26. Minnesota Statutes 2014, section 273.372, is amended by adding a subdivision to read:

Subd. 6. **Dismissal of administrative appeal.** If a taxpayer files an administrative appeal from an order of the commissioner and also files an appeal to the tax court for that same order of the

commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make the determination of appeal under subdivision 4.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2015.

Sec. 27. Minnesota Statutes 2014, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the local board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when ~~the board or the local~~ board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a local board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet either at a central location within the county or at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more

than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board. The county assessor shall enter all changes made by the board.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 28. Minnesota Statutes 2014, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give

notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

(8) The board may not make an individual market value adjustment or classification change that would benefit property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20.

**EFFECTIVE DATE.** This section is effective for county board of appeal and equalization meetings in 2016 and thereafter.

Sec. 29. Minnesota Statutes 2014, section 274.135, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by ~~December 1, 2009, and each year thereafter,~~ February 1 that it is in compliance with the requirements of subdivision 2. ~~Beginning in 2009;~~ This notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the ~~current~~ previous year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2,

beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by ~~December~~ February 1 in order to be effective for the ~~following~~ current year's assessment.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located \$500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

**EFFECTIVE DATE.** This section is effective for county boards of appeal and equalization meetings held in 2016 and thereafter.

Sec. 30. Minnesota Statutes 2014, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county and each home rule charter or statutory city shall certify to the county auditor the proposed property tax levy for taxes payable in the following year.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town and each special taxing district shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes

payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

(d) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

(e) For purposes of this section, "special taxing district" means a special taxing district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

(f) At the meeting at which a taxing authority, other than a town, adopts its proposed tax levy under this subdivision, the taxing authority shall announce the time and place of ~~its~~ any subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

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

Sec. 31. Minnesota Statutes 2014, section 275.62, subdivision 2, is amended to read:

Subd. 2. **Local governments required to report.** For purposes of this section, "local governmental unit" means a county, home rule charter or statutory city with a population greater than 2,500, ~~a town with a population greater than 5,000, or a home rule charter or statutory city or town that receives a distribution from the taconite municipal aid account in the levy year.~~

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

Sec. 32. Minnesota Statutes 2014, section 278.01, subdivision 1, is amended to read:

Subdivision 1. **Determination of validity.** (a) Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the Tax Court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city

or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

(b) In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

(c) For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court on or before April 30 of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the Tax Court. An appeal may also be taken to the Tax Court under chapter 271 at any time following receipt of the valuation notice that county assessors or city assessors having the powers of a county assessor are required by section 273.121 to send to persons whose property is to be included on the assessment roll that year, but prior to May 1 of the year in which the taxes are payable.

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

Sec. 33. Minnesota Statutes 2014, section 282.01, subdivision 1a, is amended to read:

Subd. 1a. **Conveyance to public entities.** (a) Upon written request from a state agency or a governmental subdivision of the state, a parcel of unsold tax-forfeited land must be withheld from sale or lease to others for a maximum of six months. The request must be submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel from sale or lease to any other party for six months, and must confirm the starting date of the six-month withholding period to the requesting agency or subdivision. If the request is from a governmental subdivision of the state, the governmental subdivision must pay the maintenance costs incurred by the county during the period the parcel is withheld. The county board may approve a sale or conveyance to the requesting party during the withholding period. A conveyance of the property to the requesting party terminates the withholding period.

A governmental subdivision of the state must not make, and a county auditor must not act upon, a second request to withhold a parcel from sale or lease within 18 months of a previous request for that parcel. A county may reject a request made under this paragraph if the request is made more than 30 days after the county has given notice to the requesting state agency or governmental subdivision of the state that the county intends to sell or otherwise dispose of the property.

(b) Nonconservation tax-forfeited lands may be sold by the county board, for their market value as determined by the county board, to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property. When the term "market value" is used in this section, it means an estimate of the full and actual market value of the parcel as determined by the county board, but in making this determination, the board and the persons employed by or under contract with the board in order to perform, conduct, or assist in the determination, are exempt from the licensure requirements of chapter 82B.

(c) Nonconservation tax-forfeited lands may be ~~released from the trust in favor of the taxing districts on application to~~ released from the trust in favor of the taxing districts on application to sold by the county board ~~by~~, for their market value as determined by the

county board, to a state agency for an authorized use at not less than their market value as determined by the county board any public purpose for which the agency is authorized to acquire property.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quitclaim deed. If the sale under this paragraph is to a state agency, the property is released from the trust in favor of the taxing districts and the commissioner of revenue must issue a conveyance document that releases the property from the trust in favor of the taxing districts convey the property on behalf of the state by quitclaim deed to the agency.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains improvements such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

No monetary compensation or consideration is required for the conveyance, except as provided in subdivision 1g, but the conveyance is subject to the conditions provided in law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

(f) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision of the state by quitclaim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement or instrument, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to the association of a common interest community by quitclaim deed upon the favorable recommendation of the county board if the association certifies to the board that prior to forfeiture the association was entitled to the parcel under a written agreement, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(h) Conservation tax-forfeited land may be sold to a governmental subdivision of the state for less than its market value for either: (1) creation or preservation of wetlands; (2) drainage or storage of storm water under a storm water management plan; or (3) preservation, or restoration and preservation, of the land in its natural state. The deed must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d). If the lands are unplatted and located outside of an incorporated municipality and the commissioner of natural resources determines there is a mineral use potential, the sale is subject to the approval of the commissioner of natural resources.

(i) A park and recreation board in a city of the first class is a governmental subdivision for the purposes of this section.

(j) Tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for a school forest under section 89.41. An application that includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board and the commissioner of natural resources must be submitted to the commissioner of revenue. No monetary compensation or consideration is required for the conveyance, but the conveyance is subject to the conditional use and reversion provisions of subdivisions 1c and 1d, paragraph (e). At any time, the governmental subdivision may reconvey the property back to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue.

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

Sec. 34. Minnesota Statutes 2014, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) After three years from the date of any conveyance of tax-forfeited land to a governmental subdivision for an authorized public use as provided in this section, regardless of when the deed for the authorized public use was executed, if the governmental subdivision has failed to put the land to that use, or abandons that use, the governing body of the subdivision must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present market value as determined by the county board, or (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon proper application submitted by the county auditor and upon the reconveyance of the land subject to the conditional use deed to the state, convey the property on behalf of the state by quitclaim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under this clause, the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. For 15 years from the date of the conveyance, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision, including, but not limited to, a comprehensive plan or land use plan, shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quitclaim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) Except for tax-forfeited land conveyed to establish a school forest under section 89.41, property conveyed under a conditional use deed executed under this section by the commissioner of revenue, regardless of when the deed for the authorized public use was executed, is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal

is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

(e) Notwithstanding paragraphs (a) to (d), tax-forfeited land conveyed to establish a school forest under section 89.41 is subject to a perpetual conditional use deed and reverter. The property reverts to the state in trust for the taxing districts by operation of law if the commissioner of natural resources determines and reports to the commissioner of revenue under section 89.41, subdivision 3, that the governmental subdivision has failed to use the land for school forest purposes for three consecutive years. The commissioner of revenue shall record a declaration of reversion for land that has reverted under this paragraph.

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

Sec. 35. Minnesota Statutes 2014, section 477A.013, is amended by adding a subdivision to read:

Subd. 14. **Communication by electronic mail.** Prior to receiving aid pursuant to this section, a city must register an official electronic mail address with the commissioner, which the commissioner may use as an exclusive means to communicate with the city.

**EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

Sec. 36. Minnesota Statutes 2014, section 477A.19, is amended by adding a subdivision to read:

Subd. 3a. **Certification.** On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the number of watercraft launches and the number of watercraft trailer parking spaces in each county.

**EFFECTIVE DATE.** This section is effective for transition aid payable in 2016 and thereafter.

Sec. 37. Minnesota Statutes 2014, section 477A.19, is amended by adding a subdivision to read:

Subd. 3b. **Certification.** On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the counties that complied with the requirements of subdivision 3 the prior year and are eligible to receive aid under this section.

**EFFECTIVE DATE.** This section is effective for transition aid payable in 2016 and thereafter.

Sec. 38. Minnesota Statutes 2014, section 559.202, subdivision 2, is amended to read:

Subd. 2. **Exception.** This section does not apply to sales made under chapter 282 or if the purchaser is represented throughout the transaction by either:

(1) a person licensed to practice law in this state; or

(2) a person licensed as a real estate broker or salesperson under chapter 82, provided that the representation does not create a dual agency, as that term is defined in section 82.55, subdivision 6.

**EFFECTIVE DATE.** This section is effective for sales of tax-forfeited land occurring after the day following final enactment.

Sec. 39. Laws 2014, chapter 308, article 1, section 14, subdivision 2, is amended to read:

Subd. 2. **Payment of supplemental credit.** (a) The commissioner must pay supplemental credit amounts to each qualifying taxpayer by October 15, 2014.

(b) If the commissioner cannot locate the qualifying taxpayer by October 15, 2016, or if a qualifying taxpayer to whom a warrant was issued does not cash that warrant within two years from the date the warrant was issued, the right to the credit shall lapse and the warrant shall be deposited in the general fund.

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

Sec. 40. **REPEALER.**

Minnesota Statutes 2014, sections 273.111, subdivision 9a; and 281.22, are repealed.

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

## ARTICLE 16

### DEPARTMENT POLICY AND TECHNICAL PROVISIONS - MISCELLANEOUS

Section 1. Minnesota Statutes 2014, section 270.82, subdivision 1, is amended to read:

Subdivision 1. **Annual report required.** Every railroad company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections 270.80 to 270.87. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 2. Minnesota Statutes 2014, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of ~~\$8,800~~ \$12,360 or less;
- (2) for a debtor with one dependent, an income of ~~\$11,270~~ \$15,830 or less;

- (3) for a debtor with two dependents, an income of ~~\$13,330~~ \$18,730 or less;
- (4) for a debtor with three dependents, an income of ~~\$15,120~~ \$21,240 or less;
- (5) for a debtor with four dependents, an income of ~~\$15,950~~ \$22,410 or less; and
- (6) for a debtor with five or more dependents, an income of ~~\$16,630~~ \$23,360 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse if domiciled in the same household, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse domiciled in the same household shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~ 2013" shall be substituted for the word "1992." For ~~2001~~ 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999 2013, to the 12 months ending on August 31, ~~2000~~ 2014, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2013, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

**EFFECTIVE DATE.** The section is effective retroactively for debts incurred after December 31, 2013.

Sec. 3. Minnesota Statutes 2014, section 270B.14, subdivision 1, is amended to read:

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

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

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

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

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the Social Security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.71, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

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

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

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

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

(j) The commissioner may disclose information to the commissioner of human services necessary to verify income for purposes of calculating parental contribution amounts under section 252.27, subdivision 2a.

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

Sec. 4. Minnesota Statutes 2014, section 270C.30, is amended to read:

**270C.30 RETURNS AND OTHER DOCUMENTS; FORMAT; FURNISHING.**

Except as otherwise provided by law, the commissioner shall prescribe the content and<sub>2</sub> format<sub>2</sub> and manner of all returns and other forms required to be filed under a law administered by the commissioner, and may furnish them subject to charge on application.

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

Sec. 5. Minnesota Statutes 2014, section 270C.33, subdivision 5, is amended to read:

Subd. 5. **Prohibition against collection during appeal period of an order.** No collection action can be taken on an order of assessment, or any other order imposing a liability, including the filing of liens under section 270C.63, and no late payment penalties may be imposed when a return has been filed for the tax type and period upon which the order is based, during the appeal period of an order. The appeal period of an order ends: (1) 60 days after the ~~order has been mailed to the taxpayer~~ notice date designated by the commissioner on the order; (2) if an administrative appeal is filed under section 270C.35, 60 days after the notice date designated by the commissioner on the written determination of the administrative appeal; (3) if an appeal to Tax Court is filed under chapter 271, when the decision of the Tax Court is made; or (4) if an appeal to Tax Court is filed and the appeal is based upon a constitutional challenge to the tax, 60 days after final determination of the appeal. This subdivision does not apply to a jeopardy assessment under section 270C.36, or a jeopardy collection under section 270C.36.

**EFFECTIVE DATE.** This section is effective for orders dated after September 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 270C.33, subdivision 8, is amended to read:

Subd. 8. **Sufficiency of notice.** An assessment of tax made by the commissioner, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the commissioner has been provided with a new address by a party authorized to receive notices of assessment. Notice of an assessment is sufficient if it is sent on or before the notice date designated by the commissioner on the assessment.

**EFFECTIVE DATE.** This section is effective for assessments dated after September 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 270C.34, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) A request for abatement of penalty under subdivision 1 or section 289A.60, subdivision 4, or a request for abatement of interest or additional tax charge, must be filed with the commissioner within 60 days of the notice date of the notice was mailed to the taxpayer's last known address, stating that a penalty has been imposed or additional tax charge. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty or additional tax charge has been imposed.

(b) If the commissioner issues an order denying a request for abatement of penalty, interest, or additional tax charge, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06.

(c) If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after September 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 270C.347, subdivision 1, is amended to read:

Subdivision 1. **Checks and warrants, authority to reissue.** Notwithstanding any other provision of law, the commissioner may, based on a showing of reasonable cause, reissue an uncashed rebate, supplemental agricultural credit, or property tax refund warrant or check that has lapsed under any provision of law relating to rebates or under section 290A.18, subdivision 2. The authority to reissue warrants or checks under this subdivision is limited to five years after the date of issuance of the original warrant or check.

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

Sec. 9. Minnesota Statutes 2014, section 270C.35, subdivision 3, is amended to read:

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the date of designated by the commissioner on the order adjusting the tax or order denying a request for abatement, or, in the case of a denied refund, the notice date of designated by the commissioner on the notice of denial.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after September 30, 2015.

Sec. 10. Minnesota Statutes 2014, section 270C.35, is amended by adding a subdivision to read:

Subd. 11. **Dismissal of administrative appeal.** If a taxpayer files an administrative appeal for an order of the commissioner and also files an appeal to the Tax Court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make a determination of appeal under subdivision 6.

**EFFECTIVE DATE.** This section is effective for all administrative appeals filed after June 30, 2015.

Sec. 11. Minnesota Statutes 2014, section 270C.38, subdivision 1, is amended to read:

Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written determination or action of the commissioner is otherwise specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address, is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or, in the case of a corporation being notified that has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

(b) If a taxpayer or other person agrees to accept notification by electronic means, notice of a determination or action of the commissioner sent by electronic mail to the taxpayer's or person's last known electronic mailing address as provided for in section 325L.08 is sufficient.

(c) Notice of a determination or action of the commissioner is sufficient if it is sent on or before the notice date designated by the commissioner on the notice.

**EFFECTIVE DATE.** This section is effective for notices dated after September 30, 2015.

Sec. 12. Minnesota Statutes 2014, section 270C.445, is amended by adding a subdivision to read:

Subd. 9. **Enforcement; limitations.** (a) Notwithstanding any other law, the imposition of a penalty or any other action against a tax return preparer authorized by subdivision 6 with respect to a return may be taken by the commissioner within the period provided by section 289A.38 to assess tax on that return.

(b) Imposition of a penalty or other action against a tax return preparer authorized by subdivision 6 other than with respect to a return must be taken by the commissioner within five years of the violation of statute.

**EFFECTIVE DATE.** This section is effective for tax preparation services provided after the day following final enactment.

Sec. 13. Minnesota Statutes 2014, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

(1) when the commissioner determines that the name was included on the list in error;

(2) within 90 days three years after the preparer has demonstrated to the commissioner that the preparer fully paid all fines or penalties imposed, served any suspension, satisfied any sentence imposed, successfully completed any probationary period imposed, and successfully completed any

remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

(3) when the commissioner has been notified that the tax preparer is deceased.

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

Sec. 14. Minnesota Statutes 2014, section 270C.72, subdivision 4, is amended to read:

Subd. 4. **Licensing authority; duties.** All licensing authorities must require the applicant to provide the applicant's Social Security number or individual taxpayer identification number and Minnesota business identification number, as applicable, on all license applications. Upon request of the commissioner, the licensing authority must provide the commissioner with a list of all applicants, including the name, address, business name and address, and Social Security number; or individual taxpayer identification number and business identification number, as applicable, of each applicant. The commissioner may request from a licensing authority a list of the applicants no more than once each calendar year.

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

Sec. 15. Minnesota Statutes 2014, section 271.06, subdivision 2, is amended to read:

Subd. 2. **Time; notice; intervention.** Except as otherwise provided by law, within 60 days after the notice of the making and filing date of an order of the commissioner of revenue, the appellant, or the appellant's attorney, shall serve a notice of appeal upon the commissioner and file the original, with proof of such service, with the Tax Court administrator or with the court administrator of district court acting as court administrator of the Tax Court; provided, that the Tax Court, for cause shown, may by written order extend the time for appealing for an additional period not exceeding 30 days. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order. The notice of appeal shall be in the form prescribed by the Tax Court. Within five days after receipt, the commissioner shall transmit a copy of the notice of appeal to the attorney general. The attorney general shall represent the commissioner, if requested, upon all such appeals except in cases where the attorney general has appealed in behalf of the state, or in other cases where the attorney general deems it against the interests of the state to represent the commissioner, in which event the attorney general may intervene or be substituted as an appellant in behalf of the state at any stage of the proceedings.

Upon a final determination of any other matter over which the court is granted jurisdiction under section 271.01, subdivision 5, the taxpayer or the taxpayer's attorney shall file a petition or notice of appeal as provided by law with the court administrator of district court, acting in the capacity of court administrator of the Tax Court, with proof of service of the petition or notice of appeal as required by law and within the time required by law. As used in this subdivision, "final determination" includes a notice of assessment and equalization for the year in question received from the local assessor, an order of the local board of equalization, or an order of a county board of equalization.

The Tax Court shall prescribe a filing system so that the notice of appeal or petition filed with the district court administrator acting as court administrator of the Tax Court is forwarded to the Tax Court administrator. In the case of an appeal or a petition concerning property valuation for which the assessor, a local board of equalization, a county board of equalization or the commissioner of revenue has issued an order, the officer issuing the order shall be notified of the filing of the appeal. The notice of appeal or petition shall be in the form prescribed by the Tax Court.

**EFFECTIVE DATE.** This section is effective for orders dated after September 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 271.06, subdivision 7, is amended to read:

Subd. 7. **Rules.** Except as provided in section 278.05, subdivision 6, the Rules of Evidence and Civil Procedure for the district court of Minnesota shall govern the procedures in the Tax Court, where practicable. The Rules of Civil Procedure do not apply to alter the 60-day period of time to file a notice of appeal provided in subdivision 2. The Tax Court may adopt rules under chapter 14. The rules in effect on January 1, 1989, apply until superseded.

**EFFECTIVE DATE.** This section is effective for orders dated after September 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner shall prescribe the content, format, and manner of the application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws, and if an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The commissioner shall develop an electronic means to notify interested parties when the commissioner has issued an order exempting property from taxation under this subdivision. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

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

Sec. 18. Minnesota Statutes 2014, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. **Efficiency determination and certification.** An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the ~~forms~~content, format, manner, and procedures for this application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. Upon receiving the application, the commissioner of revenue shall: (1) request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility; and (2) shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner of commerce shall calculate efficiency as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.

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

Sec. 19. Minnesota Statutes 2014, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 2 to 33, must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the ~~form and contents~~content, format, and manner of the statement of exemption pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

(e) If a statement is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 20. Minnesota Statutes 2014, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the ~~form~~ content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 60 percent.

(b) If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

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

Sec. 21. Minnesota Statutes 2014, section 272.0295, subdivision 4, is amended to read:

Subd. 4. **Reports.** An owner of a solar energy generating system subject to tax under this section shall file a report with the commissioner of revenue annually on or before January 15 detailing the amount of electricity in megawatt-hours that was produced by the system in the previous calendar year. The commissioner shall prescribe the ~~form~~ content, format, and manner of the report pursuant to section 270C.30. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a solar energy generating system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 30 percent.

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

Sec. 22. Minnesota Statutes 2014, section 272.115, subdivision 2, is amended to read:

Subd. 2. **Form; information required.** The certificate of value shall require such facts and information as may be determined by the commissioner to be reasonably necessary in the administration of the state education aid formulas. The ~~form~~ commissioner shall prescribe the content, format, and manner of the certificate of value ~~shall be prescribed by the Department of Revenue which shall provide an adequate supply of forms to each county auditor~~ pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 23. Minnesota Statutes 2014, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) ~~The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue.~~ The commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or

the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

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

Sec. 24. Minnesota Statutes 2014, section 273.371, subdivision 1, is amended to read:

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, and transportation company and pipeline doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, 273.37, and 273.3711. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 25. Minnesota Statutes 2014, section 287.2205, is amended to read:

**287.2205 TAX-FORFEITED LAND.**

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by the purchaser of tax-forfeited land whether the purchase is the result of a public auction or private sale or a repurchase of tax-forfeited land. State agencies and local units of government that acquire tax-forfeited land by purchase or any other means are subject to this section. The deed tax is \$1.65 for a conveyance of tax-forfeited lands to a governmental subdivision for an authorized public use under section 282.01, subdivision 1a, for a school forest under section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

Sec. 26. Minnesota Statutes 2014, section 289A.08, is amended by adding a subdivision to read:

Subd. 17. **Format.** The commissioner shall prescribe the content, format, and manner of the returns and other documents pursuant to section 270C.30. This does not authorize the commissioner to require individual income taxpayers to file individual income tax returns electronically.

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

Sec. 27. Minnesota Statutes 2014, section 289A.09, subdivision 1, is amended to read:

Subdivision 1. **Returns.** (a) An employer who is required to deduct and withhold tax under section 290.92, subdivision 2a or 3, and a person required to deduct and withhold tax under section 290.923, subdivision 2, must file a return with the commissioner for each quarterly period unless otherwise prescribed by the commissioner.

(b) A person or corporation required to make deposits under section 290.9201, subdivision 8, must file an entertainer withholding tax return with the commissioner.

(c) A person required to withhold an amount under section 290.9705, subdivision 1, must file a return.

(d) A partnership required to deduct and withhold tax under section 290.92, subdivision 4b, must file a return.

(e) An S corporation required to deduct and withhold tax under section 290.92, subdivision 4c, must also file a return.

(f) ~~Returns must be filed in the form and manner, and contain the information prescribed by the commissioner~~ The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. Every return for taxes withheld must be signed by the employer, entertainment entity, contract payor, partnership, or S corporation, or a designee.

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

Sec. 28. Minnesota Statutes 2014, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. **Return required.** (a) Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner ~~in the form and manner the commissioner prescribes.~~ The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

(b) Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases, for use in a trade or business, of less than \$18,500, or a person who is not required to hold a sales tax permit and who makes purchases for personal use, that are subject to the use tax imposed by section 297A.63, may file an annual use tax return ~~on a form prescribed by the commissioner.~~ The commissioner shall prescribe the content, format, and manner of the return pursuant to section 270C.30. If a person who qualifies for an annual use tax reporting period is required to obtain a sales tax permit or makes use tax purchases, for use in a trade or business, in excess of \$18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of \$18,500 is made and a return must be filed for the preceding reporting period.

(c) Notwithstanding ~~paragraph~~ paragraphs (a) and (b), a person prohibited by the person's religious beliefs from using electronics shall be allowed to file by mail, without any additional fees. The filer must notify the commissioner of revenue of the intent to file by mail on a form prescribed

by the commissioner. A return filed under this paragraph must be postmarked no later than the day the return is due in order to be considered filed on a timely basis.

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

Sec. 29. Minnesota Statutes 2014, section 289A.50, subdivision 7, is amended to read:

Subd. 7. **Remedies.** (a) If the taxpayer is notified by the commissioner that the refund claim is denied in whole or in part, the taxpayer may:

(1) file an administrative appeal as provided in section 270C.35, or an appeal with the Tax Court, within 60 days after issuance the notice date of the commissioner's notice of denial; or

(2) file an action in the district court to recover the refund.

(b) An action in the district court on a denied claim for refund must be brought within 18 months of the notice date of the denial of the claim by the commissioner. For the purposes of this section, "notice date" is defined in section 270C.35, subdivision 3.

(c) No action in the district court or the Tax Court shall be brought within six months of the filing of the refund claim unless the commissioner denies the claim within that period.

(d) If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

(e) The commissioner and the taxpayer may agree to extend the period for bringing an action in the district court.

(f) An action for refund of tax by the taxpayer must be brought in the district court of the district in which lies the county of the taxpayer's residence or principal place of business. In the case of an estate or trust, the action must be brought at the principal place of its administration. Any action may be brought in the district court for Ramsey County.

**EFFECTIVE DATE.** This section is effective for claims for refund denied after September 30, 2015.

Sec. 30. **[290B.11] FORMS.**

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 31. Minnesota Statutes 2014, section 290C.13, subdivision 3, is amended to read:

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order or notice of the determination removing enrolled land or the notice date of designated by the commissioner on the notice denying an application to enroll land or denying part or all of an incentive payment.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after September 30, 2015.

Sec. 32. **[293.15] FORMS.**

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 33. Minnesota Statutes 2014, section 295.55, subdivision 6, is amended to read:

Subd. 6. **Form of returns.** ~~The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.~~ The commissioner shall prescribe the content, format, and manner of the estimated payment forms and annual return pursuant to section 270C.30.

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

Sec. 34. Minnesota Statutes 2014, section 296A.02, is amended by adding a subdivision to read:

Subd. 5. **Forms.** The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 35. Minnesota Statutes 2014, section 296A.22, subdivision 9, is amended to read:

Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the notice date of the notice stating that a penalty has been imposed was mailed to the taxpayer's last known address. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty has been imposed.

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after September 30, 2015.

Sec. 36. Minnesota Statutes 2014, section 296A.26, is amended to read:

**296A.26 JUDICIAL REVIEW; APPEAL TO TAX COURT.**

In lieu of an administrative appeal under section 270C.35, any person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of the notice of the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after September 30, 2015.

Sec. 37. Minnesota Statutes 2014, section 297D.02, is amended to read:

**297D.02 ADMINISTRATION.**

The commissioner of revenue shall administer this chapter. The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30. Payments required by this chapter must be made to the commissioner on the form provided by the commissioner. Tax obligors are not required to give their name, address, Social Security number, or other identifying information on the form. The commissioner shall collect all taxes under this chapter.

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

Sec. 38. Minnesota Statutes 2014, section 297E.02, subdivision 3, is amended to read:

Subd. 3. **Collection; disposition.** (a) Taxes imposed by this section are due and payable to the commissioner when the gambling tax return is required to be filed. Distributors must file their monthly sales figures with the commissioner on a form prescribed by the commissioner. Returns covering the taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month. ~~The commissioner may require that the returns be filed via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.191, 349.211, and 349.213, must be paid to the commissioner of management and budget for deposit in the general fund.

(b) The sales tax imposed by chapter 297A on the sale of pull-tabs and tipboards by the distributor is imposed on the retail sales price. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(c) One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for the compulsive gambling treatment program established under section 245.98. One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for a grant to the state affiliate recognized by the National Council on Problem Gambling to increase public awareness of problem gambling, education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling. Money appropriated by this paragraph must supplement and must not replace existing state funding for these programs.

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

Sec. 39. Minnesota Statutes 2014, section 297E.04, subdivision 1, is amended to read:

Subdivision 1. **Reports of sales.** A manufacturer who sells gambling product for use or resale in this state, or for receipt by a person or entity in this state, shall file with the commissioner, on a form prescribed by the commissioner, a report of gambling product sold to any person in the state, including the established governing body of an Indian tribe recognized by the United States Department of the Interior. The report must be filed monthly on or before the 20th day of the month succeeding the month in which the sale was made. ~~The commissioner may require that the~~

~~report be submitted via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The commissioner may inspect the premises, books, records, and inventory of a manufacturer without notice during the normal business hours of the manufacturer. A person violating this section is guilty of a misdemeanor.

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

Sec. 40. Minnesota Statutes 2014, section 297E.05, subdivision 4, is amended to read:

Subd. 4. **Reports.** A distributor shall report monthly to the commissioner, on a form the commissioner prescribes, its sales of each type of gambling product. This report must be filed monthly on or before the 20th day of the month succeeding the month in which the sale was made. ~~The commissioner may require that a distributor submit the monthly report and invoices required in this subdivision via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 41. Minnesota Statutes 2014, section 297E.06, subdivision 1, is amended to read:

Subdivision 1. **Reports.** An organization must file with the commissioner, on a form prescribed by the commissioner, a report showing all gambling activity conducted by that organization for each month. Gambling activity includes all gross receipts, prizes, all gambling taxes owed or paid to the commissioner, all gambling expenses, and all lawful purpose and board-approved expenditures. The report must be filed with the commissioner on or before the 20th day of the month following the month in which the gambling activity takes place. ~~The commissioner may require that the reports be filed via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 42. Minnesota Statutes 2014, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly return; cigarette distributor.** On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. ~~Returns must be made in the form and manner prescribed by~~ The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30, and the returns must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

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

Sec. 43. Minnesota Statutes 2014, section 297F.23, is amended to read:

**297F.23 JUDICIAL REVIEW.**

In lieu of an administrative appeal under section 270C.35, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the ~~notice date of the notice of the order~~, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after September 30, 2015.

Sec. 44. Minnesota Statutes 2014, section 297G.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly returns; manufacturers, wholesalers, brewers, or importers.** On or before the 18th day of each calendar month following the month in which a licensed manufacturer or wholesaler first sells wine and distilled spirits within the state, or a brewer or importer first sells or imports fermented malt beverages, or a wholesaler knowingly acquires title to or possession of untaxed fermented malt beverages, the licensed manufacturer, wholesaler, brewer, or importer liable for the excise tax must file a return with the commissioner, and in addition must keep records and render reports as required by the commissioner. ~~Returns must be made in a form and manner prescribed by the commissioner, and~~ The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30. The returns must contain any other information required by the commissioner. Returns must be accompanied by a remittance for the full unpaid tax liability. Returns must be filed regardless of whether a tax is due.

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

Sec. 45. Minnesota Statutes 2014, section 297G.22, is amended to read:

**297G.22 JUDICIAL REVIEW.**

In lieu of an administrative appeal under this chapter, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from ~~the date of the notice date of the order~~, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after September 30, 2015.

Sec. 46. Minnesota Statutes 2014, section 297I.30, is amended by adding a subdivision to read:

Subd. 11. **Format.** The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 47. Minnesota Statutes 2014, section 297I.60, subdivision 2, is amended to read:

Subd. 2. **Remedies.** (a) If the taxpayer is notified that the refund claim is denied in whole or in part, the taxpayer may contest the denial by:

- (1) filing an administrative appeal with the commissioner under section 270C.35;
- (2) filing an appeal in Tax Court within 60 days of the notice date of the ~~notice of denial~~; or

(3) filing an action in the district court to recover the refund.

(b) An action in the district court must be brought within 18 months following of the notice date of the ~~notice of denial~~. For purposes of this section, "notice date" is defined in section 270C.35, subdivision 3. An action for refund of tax or surcharge must be brought in the district court of the district in which lies the taxpayer's principal place of business or in the District Court for Ramsey County. If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

**EFFECTIVE DATE.** This section is effective for claims for refund denied after September 30, 2015.

Sec. 48. Minnesota Statutes 2014, section 469.319, subdivision 5, is amended to read:

Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a repayment required under subdivision 1, if the commissioner, in consultation with the commissioner of employment and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

- (1) a natural disaster;
- (2) unforeseen industry trends; or
- (3) loss of a major supplier or customer.

(b)(1) The commissioner shall waive repayment required under subdivision 1a if the commissioner has waived repayment by the operating business under subdivision 1, unless the person that received benefits without having to operate a business in the zone was a contributing factor in the qualified business becoming subject to repayment under subdivision 1;

(2) the commissioner shall waive the repayment required under subdivision 1a, even if the repayment has not been waived for the operating business if:

(i) the person that received benefits without having to operate a business in the zone and the business that operated in the zone are not related parties as defined in section 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

(ii) actions of the person were not a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

(c) Requests for waiver must be made no later than 60 days after the earlier of the notice date of an order issued under subdivision 4, paragraph (d), or the date of a tax statement issued under subdivision 4, paragraph (c). For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order.

**EFFECTIVE DATE.** This section is effective for orders of the commissioner of revenue dated after September 30, 2015."

Delete the title and insert:

"A bill for an act relating to financing of state and local government; making changes to individual income and corporate franchise, property, sales and use, estate, mineral, tobacco, special, local, and other taxes and tax-related provisions; providing for and expanding credits; modifying local government aids; modifying exclusions, exemptions, and levy deadlines; modifying sales and use tax exemptions; changing sales, use, and excise tax remittances; modifying certain local sales and use taxes; modifying income tax credits; modifying the payment in lieu of tax provisions; clarifying estate tax provisions; providing for and modifying certain local development projects; modifying electric generation machinery valuation; clarifying tax increment financing rules; modifying property tax interest rates; modifying valuation and taxation of railroad property; modifying the Sustainable Forest Incentive Act; modifying Iron Range fiscal disparities program; modifying certain county levy authority; allocating additional tax reductions for border cities; modifying the distribution of taconite production and occupation taxes; modifying and providing provisions for public finance; making conforming, policy, and technical changes to tax provisions; requiring reports; appropriating money; amending Minnesota Statutes 2014, sections 13.51, subdivision 2; 16A.152, subdivisions 2, 8; 16D.08, subdivision 2; 69.021, subdivision 5; 126C.01, subdivision 3; 126C.40, subdivision 1; 136A.129, subdivision 3; 138.053; 216B.1621, subdivision 2; 216B.164, subdivision 2a; 216B.2424, subdivision 5; 270.071, subdivisions 2, 7, 8, by adding a subdivision; 270.072, subdivisions 2, 3, by adding a subdivision; 270.12, by adding a subdivision; 270.80, subdivisions 1, 2, 3, 4, by adding subdivisions; 270.81, subdivisions 1, 3, by adding a subdivision; 270.82; 270.83, subdivisions 1, 2; 270.84; 270.86; 270.87; 270A.03, subdivision 5; 270B.14, subdivision 1; 270C.03, subdivision 1; 270C.30; 270C.33, subdivisions 5, 8; 270C.34, subdivision 2; 270C.347, subdivision 1; 270C.35, subdivision 3, by adding a subdivision; 270C.38, subdivision 1; 270C.445, by adding a subdivision; 270C.446, subdivision 5; 270C.72, subdivision 4; 270C.89, subdivision 1; 271.06, subdivisions 2, 7; 271.08, subdivision 1; 271.21, subdivision 2; 272.02, subdivisions 9, 10; 272.0211, subdivision 1; 272.025, subdivision 1; 272.029, subdivisions 2, 4, by adding a subdivision; 272.0295, subdivision 4; 272.115, subdivision 2; 273.032; 273.061, subdivision 7; 273.08; 273.121, by adding a subdivision; 273.124, subdivision 13; 273.13, subdivisions 23, 24; 273.1392; 273.1393; 273.33, subdivisions 1, 2; 273.37, subdivision 1; 273.371; 273.372, subdivisions 2, 4, by adding subdivisions; 274.01, subdivision 1; 274.13, subdivision 1; 274.135, subdivision 3; 275.025, subdivisions 1, 3; 275.065, subdivisions 1, 3; 275.066; 275.07, subdivision 1; 275.62, subdivision 2; 276.04, subdivision 2; 276A.06, subdivisions 3, 5; 278.01, subdivision 1; 279.01, subdivision 1; 279.37, subdivision 2; 282.01, subdivisions 1a, 1d, 4; 282.261, subdivision 2; 287.2205; 289A.02, subdivision 7, as amended; 289A.08, subdivisions 11, 16, by adding a subdivision; 289A.09, subdivisions 1, 2; 289A.11, subdivision 1; 289A.12, subdivision 14; 289A.20, subdivision 4; 289A.38, subdivision 6; 289A.50, subdivision 7; 289A.60, subdivisions 15, 28; 290.01, subdivisions 4a, 7, 19, as amended, 19b, 19c, 19d, 31, as amended, by adding a subdivision; 290.06, by adding a subdivision; 290.0671, subdivisions 1, 6a; 290.0672, subdivision 1; 290.0674, subdivisions 1, 2; 290.068, subdivisions 1, 2, 3, 6a, by adding a subdivision; 290.091, subdivision 3; 290.0921, subdivision 3; 290.0922, subdivision 2; 290.17, subdivision 4; 290.191, subdivision 5; 290.21, subdivision 4; 290A.03, subdivisions 13, 15, as amended; 290A.04, subdivision 2h; 290A.19; 290B.03, subdivision 1; 290B.04, subdivision 1; 290C.01; 290C.02, subdivisions 1, 3, 6; 290C.03; 290C.04; 290C.05; 290C.055; 290C.07; 290C.08, subdivision 1; 290C.10; 290C.11; 290C.13, subdivisions 3, 6; 291.005, subdivision 1; 291.03, subdivision 10, by adding a subdivision; 291.031; 295.54, subdivision 2; 295.55, subdivision 6; 296A.01, subdivisions 12, 33, 42, by adding subdivisions; 296A.02, by adding a subdivision; 296A.07, subdivisions 1, 4; 296A.08, subdivision 2; 296A.09, subdivisions 1, 3, 5, 6; 296A.15, subdivisions 1, 4; 296A.17, subdivisions 1, 2, 3; 296A.18, subdivisions 1, 8; 296A.19, subdivision 1; 296A.22, subdivision

9; 296A.26; 297A.62, subdivision 3; 297A.67, subdivision 7a, by adding subdivisions; 297A.68, subdivisions 5, 35a; 297A.70, subdivisions 4, 14, by adding a subdivision; 297A.82, subdivision 4a; 297A.994, subdivision 4; 297D.02; 297E.02, subdivisions 3, 7; 297E.04, subdivision 1; 297E.05, subdivision 4; 297E.06, subdivision 1; 297F.05, subdivision 3; 297F.09, subdivisions 1, 10; 297F.23; 297G.09, subdivisions 1, 9; 297G.22; 297H.04, subdivision 2; 297H.06, subdivision 2; 297I.05, subdivision 2; 297I.10, subdivisions 1, 3; 297I.30, by adding a subdivision; 297I.60, subdivision 2; 298.01, subdivisions 3b, 4c; 298.17; 298.227; 298.24, subdivision 1, by adding a subdivision; 298.28, subdivisions 3, 7a; 366.095, subdivision 1; 383B.117, subdivision 2; 410.32; 412.301; 469.034, subdivision 2; 469.101, subdivision 1; 469.169, by adding a subdivision; 469.174, subdivision 12; 469.175, subdivision 3; 469.176, subdivision 4c; 469.1761, by adding a subdivision; 469.1763, subdivisions 1, 2, 3; 469.178, subdivision 7; 469.190, subdivisions 1, 7; 469.194, subdivision 1; 469.319, subdivision 5; 469.40, subdivision 11, as amended; 469.43, by adding a subdivision; 469.45, subdivisions 1, 2; 469.47, subdivision 4, as amended; 473H.09; 475.58, subdivision 3b; 475.60, subdivision 2; 477A.0124, subdivision 4; 477A.013, subdivision 1, by adding a subdivision; 477A.014, subdivision 1; 477A.015; 477A.017, subdivisions 2, 3; 477A.03, subdivisions 2a, 2b, 2c; 477A.12, subdivisions 1, 2; 477A.13; 477A.15; 477A.19, by adding subdivisions; 477A.20; 524.3-916; 559.202, subdivision 2; Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 1991, chapter 291, article 8, section 27, subdivisions 3, as amended, 4, as amended, 5, 6; Laws 1996, chapter 471, article 3, section 51; Laws 2001, First Special Session chapter 5, article 3, section 86; Laws 2006, chapter 257, section 2, as amended; Laws 2008, chapter 366, article 7, section 20; Laws 2013, chapter 143, article 8, sections 22, as amended; 23, as amended; Laws 2014, chapter 308, article 1, section 14, subdivision 2; article 7, section 7; proposing coding for new law in Minnesota Statutes, chapters 103C; 116J; 270C; 273; 290; 290B; 290C; 293; 383B; 465; 477A; repealing Minnesota Statutes 2014, sections 3.192; 270.81, subdivision 4; 270.83, subdivision 3; 272.02, subdivisions 23, 29, 33, 41, 44, 45, 47, 52, 54, 55, 56, 68, 69, 70, 71, 80, 84, 89, 92, 93, 96, 99; 272.0211; 273.111, subdivision 9a; 275.025, subdivision 4; 281.22; 290C.02, subdivisions 5, 9; 469.194, subdivisions 2, 4; Minnesota Rules, parts 8092.2000; 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, 21; 8106.0300, subparts 1, 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; 8106.9900; 8125.1300, subpart 3."

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

## SECOND READING OF SENATE BILLS

S.F. No. 826 was read the second time.

## INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

### Senator Jensen introduced—

**S.F. No. 2133:** A bill for an act relating to capital investment; appropriating money for a county public works building in Owatonna; authorizing the issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senators Limmer, Hann, Metzen, Stumpf and Rosen introduced—**

**S.F. No. 2134:** A bill for an act relating to state government; authorizing placement of a plaque or marker on the Capitol grounds to honor workers who constructed the Capitol building; appropriating money.

Referred to the Committee on State and Local Government.

**MOTIONS AND RESOLUTIONS**

Senator Hayden moved that the name of Senator Jensen be added as a co-author to S.F. No. 734. The motion prevailed.

Senator Westrom moved that the name of Senator Newman be added as a co-author to S.F. No. 2122. The motion prevailed.

**RECESS**

Senator Bakk 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 Dahle 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 Order of Business of Messages From the House.

**MESSAGES FROM THE HOUSE**

Madam President:

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

**S.F. No. 1238:** A bill for an act relating to liquor; recodifying statutes related to certain licensees; regulating the sale and distribution of alcoholic beverages; authorizing various liquor licenses; amending Minnesota Statutes 2014, sections 340A.101, by adding a subdivision; 340A.22; 340A.301; 340A.404, subdivisions 2, 10; 340A.503, subdivision 6; 340A.504, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 340A.

Senate File No. 1238 is herewith returned to the Senate.

Patrick D. Murphy, Chief Clerk, House of Representatives

Returned April 28, 2015

### CONCURRENCE AND REPASSAGE

Senator Metzen moved that the Senate concur in the amendments by the House to S.F. No. 1238 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1238 was read the third time, as amended by the House, and placed on its repassage.

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

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

Those who voted in the affirmative were:

Bakk	Eken	Johnson	Osmek	Sparks
Bonoff	Fischbach	Kent	Pappas	Stumpf
Brown	Franzen	Kiffmeyer	Pederson, J.	Tomassoni
Carlson	Gazelka	Limmer	Pratt	Torres Ray
Champion	Goodwin	Lourey	Reinert	Weber
Clausen	Hann	Marty	Rosen	Westrom
Cohen	Hawj	Metzen	Ruud	Wiger
Dahle	Hayden	Miller	Saxhaug	Wiklund
Dahms	Hoffman	Nelson	Scalze	
Dibble	Housley	Newman	Sheran	
Dziedzic	Ingebriqtsen	Nienow	Sieben	
Eaton	Jensen	Ortman	Skoe	

Those who voted in the negative were:

Anderson	Chamberlain	Petersen, B.	Senjem
Benson	Hall	Rest	Thompson

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

### MOTIONS AND RESOLUTIONS - CONTINUED

#### SPECIAL ORDERS

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

H.F. No. 844 and S.F. No. 1495.

#### SPECIAL ORDER

**H.F. No. 844:** A bill for an act relating to education; providing for funding and policy in early childhood, kindergarten through grade 12, and adult education, including general education, education excellence, standards and assessments, charter schools, special education, facilities and technology, nutrition and accounting, libraries, early childhood education, prevention, self-sufficiency and lifelong learning, state agencies, and forecast adjustments; requiring rulemaking; appropriating money; amending Minnesota Statutes 2014, sections 5A.03; 16A.103, subdivision 1c; 120A.41; 120B.02, subdivision 2; 120B.021, subdivision 4; 120B.022, subdivisions 1, 1a, 1b; 120B.024, subdivision 2; 120B.11, subdivision 1a; 120B.12, subdivision 4a; 120B.125; 120B.13, subdivision 4; 120B.30, subdivisions 1, 1a, 3; 120B.31, subdivision 4; 120B.36, subdivision 1; 121A.17, subdivision 5; 122A.09, subdivision 4, by adding subdivisions; 122A.14, subdivisions 3, 9, by adding a subdivision; 122A.18, subdivisions 2, 7c, 8; 122A.20, subdivision

1; 122A.21, subdivisions 1, 2; 122A.23; 122A.245, subdivisions 1, 3, 7; 122A.25; 122A.30; 122A.31, subdivisions 1, 2; 122A.40, subdivisions 5, 8, 10, 11, 13; 122A.41, subdivisions 2, 5, 6, 14; 122A.414, subdivision 2; 122A.60; 122A.61, subdivision 1; 122A.69; 122A.70, subdivision 1; 123A.24, subdivision 1; 123A.75, subdivision 1; 123B.045; 123B.59, subdivisions 6, 7; 123B.77, subdivision 3; 123B.88, subdivision 1, by adding a subdivision; 124D.041, subdivisions 1, 2; 124D.09, subdivisions 5, 5a, 8, 9, 12; 124D.091, subdivision 1; 124D.10, subdivisions 1, 3, 4, 8, 9, 12, 14, 16, 23, by adding a subdivision; 124D.11, subdivisions 1, 9; 124D.121; 124D.122; 124D.126, subdivision 1; 124D.127; 124D.128, subdivision 1; 124D.13; 124D.135; 124D.16; 124D.165; 124D.531, subdivisions 1, 2, 3; 124D.73, subdivisions 3, 4; 124D.74, subdivisions 1, 3, 6; 124D.75, subdivisions 1, 3, 9; 124D.76; 124D.78; 124D.79, subdivisions 1, 2; 124D.791, subdivision 4; 124D.861; 124D.862; 125A.01; 125A.023, subdivisions 3, 4; 125A.027; 125A.03; 125A.08; 125A.085; 125A.0942, subdivision 3; 125A.21; 125A.28; 125A.63, subdivisions 2, 3, 4, 5; 125A.75, subdivision 9; 125A.76, subdivisions 1, 2c; 125B.26, subdivision 2; 126C.10, subdivisions 1, 2, 2a, 2e, 3, 13a, 18, 24; 126C.13, subdivision 4; 126C.15, subdivisions 1, 2, 3; 126C.17, subdivisions 1, 2; 127A.05, subdivision 6; 127A.49, subdivision 1; 134.355, subdivisions 8, 9, 10; 135A.101, by adding a subdivision; 179A.20, by adding a subdivision; Laws 2013, chapter 116, article 1, section 58, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 11, as amended; article 3, section 37, subdivisions 3, as amended, 4, as amended, 5, as amended, 20, as amended; article 4, section 9, subdivision 2, as amended; article 5, section 31, subdivisions 2, as amended, 3, as amended, 4, as amended; article 6, section 12, subdivisions 2, as amended, 6, as amended; article 7, sections 19; 21, subdivisions 2, as amended, 3, as amended, 4, as amended; article 8, section 5, subdivisions 3, as amended, 4, as amended, 14, as amended; Laws 2014, chapter 312, article 16, section 15; proposing coding for new law in Minnesota Statutes, chapters 119A; 121A; 122A; 124D; 125A; repealing Minnesota Statutes 2014, sections 120B.128; 122A.40, subdivision 11; 125A.63, subdivision 1; 126C.12, subdivision 6; 126C.13, subdivisions 3a, 3b, 3c; 126C.41, subdivision 1; Minnesota Rules, part 3500.1000.

Senator Wiger moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 5, line 14, delete "alternative" and insert "area"

Page 5, line 15, delete "servicing high school students" and insert ", alternative learning programs, and contract alternative programs"

The motion prevailed. So the amendment was adopted.

### CALL OF THE SENATE

Senator Osmek imposed a call of the Senate for the balance of the proceedings on H.F. No. 844. The Sergeant at Arms was instructed to bring in the absent members.

Senator Ortman moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 47, after line 11, insert:

"Subd. 27. **Robotics and engineering programs.** For a grant to InScite to provide robotics and engineering programs in Minnesota classrooms:

\$	<u>69,000</u>	<u>.....</u>	<u>2016</u>
\$	<u>69,000</u>	<u>.....</u>	<u>2017</u>

The grant must be used for High Tech Kids hands-on engineering education programs in Minnesota schools for students in kindergarten through grade 12. Any balance in the first year does not cancel but is available in the second year. This is a onetime appropriation."

Renumber the subdivisions in sequence

Page 107, line 27, delete "21,521,000" and insert "21,498,000"

Page 107, line 28, delete "21,650,000" and insert "21,535,000"

Page 108, line 22, delete "\$21,470,000" and insert "\$21,427,000"

Page 108, line 23, delete "\$21,425,000" and insert "\$21,405,000"

The motion prevailed. So the amendment was adopted.

Senator Nelson moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 96, after line 17, insert:

"Sec. 8. Minnesota Statutes 2014, section 124D.165, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) The commissioner shall establish application timelines and determine the schedule for awarding scholarships that meets operational needs of eligible families and programs. The commissioner may prioritize applications on factors including family income, geographic location, and whether the child's family is on a waiting list for a publicly funded program providing early education or child care services.

(b) For fiscal years 2014 and 2015 only, scholarships may not exceed \$5,000 per year for each eligible child. For fiscal year 2016 and later, the commissioner shall establish a target for the average scholarship amount per child based on the results of the rate survey conducted under section 119B.02.

(c) A four-star rated program that has children eligible for a scholarship enrolled in or on a waiting list for a program beginning in July, August, or September may notify the commissioner, in the form and manner prescribed by the commissioner, each year of the program's desire to enhance program services or to serve more children than current funding provides. ~~The commissioner may designate a predetermined number of scholarship slots for that program and notify the program of that number.~~ Beginning July 1, 2016, a school district or Head Start program qualifying under this paragraph may use its established registration process to enroll scholarship recipients and may verify a scholarship recipient's family income in the same manner as for other program participants.

(d) A scholarship is awarded for a 12-month period. If the scholarship recipient has not been accepted and subsequently enrolled in a rated program within ten months of the awarding of the

scholarship, the scholarship cancels and the recipient must reapply in order to be eligible for another scholarship. A child may not be awarded more than one scholarship in a 12-month period.

(e) A child who receives a scholarship who has not completed development screening under sections 121A.16 to 121A.19 must complete that screening within 90 days of first attending an eligible program.

(f) For fiscal year 2017 and later, a school district or Head Start program enrolling scholarship recipients under paragraph (c) may apply to the commissioner, in the form and manner prescribed by the commissioner, for direct payment of state aid. Upon receipt of the application, the commissioner must pay each program directly for each approved scholarship recipient enrolled under paragraph (c) according to the metered payment system or another schedule established by the commissioner.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2016 and later."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 37, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Kiffmeyer	Ortman	Senjem
Benson	Gazelka	Limmer	Osmek	Thompson
Bonoff	Hall	Miller	Pederson, J.	Weber
Brown	Hann	Nelson	Petersen, B.	Westrom
Chamberlain	Housley	Newman	Pratt	
Dahms	Ingebrigtsen	Nienow	Ruud	

Those who voted in the negative were:

Carlson	Eken	Kent	Rest	Stumpf
Champion	Franzen	Koenen	Saxhaug	Tomassoni
Clausen	Goodwin	Latz	Scalze	Torres Ray
Cohen	Hawj	Lourey	Schmit	Wiger
Dahle	Hayden	Marty	Sheran	Wiklund
Dibble	Hoffman	Metzen	Sieben	
Dziedzic	Jensen	Pappas	Skoe	
Eaton	Johnson	Reinert	Sparks	

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

Senator Nienow moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 5, line 3, delete "\$5,948" and insert "\$6,007"

Page 10, after line 26, insert:

"Sec. 24. **RESERVE ACCOUNT.**

**Subdivision 1. Reserve account authorized.** (a) For fiscal years 2016 and 2017 only, a school district may establish a reserve account in the general fund and specify the purposes for which money

transferred into the account will be used. Funds transferred into the account shall not be used for any purpose not specifically authorized by the district.

(b) The school board of a school district that creates an account under paragraph (a) may formally resolve to make or schedule to make a fund transfer from the general fund to the reserve account. No transfer shall be made or scheduled without a formal resolution of the school board. Each scheduled transfer must be defined as a specific dollar amount or a percentage of the district's unreserved net general fund balance on the date of the scheduled transfer. The district may make more than one transfer to the account. The amount of any transfer must not exceed the net unreserved general fund balance on the date of the transfer. The amount scheduled to be transferred may assume revenues that the district reasonably anticipates to recognize for fiscal years 2016 and 2017.

(c) Any balance remaining in the reserve account on July 1, 2017, shall be transferred to the district's unreserved general fund balance and the reserve account shall be closed.

Subd. 2. **School districts and exclusive representative.** Notwithstanding Minnesota Statutes, chapter 179A, and any other law to the contrary, the exclusive representative and employer shall not enter into a collective bargaining agreement that requires the use of funds in, or scheduled to be transferred into, a reserve account created under this section.

Sec. 25. **RELIEF FROM STATE MANDATES.**

Notwithstanding any law to the contrary, for the 2015-2016 and 2016-2017 school years only, a district is not required to comply with a state law or rule applicable to that school if enacted, adopted, or amended after June 30, 2014. A school board that formally resolves not to comply with a state law or rule under this section must transmit to the commissioner a timely, electronic notice of its intent not to comply, cite the law or rule implicated, and identify a reason for noncompliance."

Page 11, line 2, delete "6,645,270,000" and insert "6,700,864,000"

Page 11, line 4, delete "\$6,012,789,000" and insert "\$6,068,383,000"

Page 11, line 9, delete "17,464,000" and insert "17,620,000"

Page 11, line 11, delete "\$15,723,000" and insert "\$15,879,000"

Page 11, line 15, delete "17,338,000" and insert "17,493,000"

Page 11, line 17, delete "\$15,645,000" and insert "\$15,800,000"

Page 92, delete section 1

Page 93, delete sections 3 and 4

Page 94, delete sections 5 and 6

Page 97, line 1, delete "20,170,000" and insert "12,170,000"

Page 97, line 2, delete "69,170,000" and insert "12,170,000"

Page 97, line 3, delete "\$18,953,000" and insert "\$10,953,000"

Page 97, line 4, delete "\$2,105,000" and insert "\$1,217,000" and delete "\$67,065,000" and insert "\$10,953,000"

Page 97, line 18, delete "28,984,000" and insert "29,244,000"

Page 97, line 20, delete "\$26,175,000" and insert "\$26,434,000"

Page 107, line 27, delete "21,521,000" and insert "21,147,000"

Page 107, line 28, delete "21,650,000" and insert "20,997,000"

Page 107, line 30, delete "\$1,020,000" and insert "\$920,000" and delete "\$768,000" and insert "\$668,000"

Page 107, line 32, delete "\$228,000" and insert "\$225,000" and delete "\$231,000" and insert "\$225,000"

Page 108, line 22, delete "\$21,470,000" and insert "\$20,817,000"

Page 108, line 23, delete "\$21,425,000" and insert "\$20,772,000"

Page 109, line 5, delete "7,572,000" and insert "7,473,000"

Page 109, line 6, delete "7,673,000" and insert "7,473,000"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Correct the subdivision and section totals and the appropriations by fund

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 37, as follows:

Those who voted in the affirmative were:

Anderson	Gazelka	Kiffmeyer	Ortman	Senjem
Benson	Goodwin	Limmer	Osmek	Thompson
Brown	Hall	Miller	Pederson, J.	Weber
Chamberlain	Hann	Nelson	Petersen, B.	Westrom
Dahms	Housley	Newman	Pratt	
Fischbach	Ingebrigtsen	Nienow	Ruud	

Those who voted in the negative were:

Bonoff	Eaton	Kent	Rest	Stumpf
Carlson	Eken	Koenen	Saxhaug	Tomassoni
Champion	Franzen	Latz	Scalze	Torres Ray
Clausen	Hawj	Lourey	Schmit	Wiger
Cohen	Hayden	Marty	Sheran	Wiklund
Dahle	Hoffman	Metzen	Sieben	
Dibble	Jensen	Pappas	Skoe	
Dziedzic	Johnson	Reinert	Sparks	

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

Senator Nienow moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 5, line 3, delete "\$5,948" and insert "\$5,949"

Page 11, line 2, delete "6,645,270,000" and insert "6,646,205,000"

Page 11, line 4, delete "\$6,012,789,000" and insert "\$6,013,724,000"

Page 11, line 9, delete "17,464,000" and insert "17,467,000"

Page 11, line 11, delete "\$15,723,000" and insert "\$15,726,000"

Page 11, line 15, delete "17,338,000" and insert "17,341,000"

Page 11, line 17, delete "\$15,645,000" and insert "\$15,648,000"

Page 97, line 18, delete "28,984,000" and insert "28,989,000"

Page 97, line 20, delete "\$26,175,000" and insert "\$26,180,000"

Page 107, line 27, delete "21,521,000" and insert "21,147,000"

Page 107, line 28, delete "21,650,000" and insert "20,997,000"

Page 107, line 30, delete "\$1,020,000" and insert "\$920,000" and delete "\$768,000" and insert "\$668,000"

Page 107, line 32, delete "\$228,000" and insert "\$225,000" and delete "\$231,000" and insert "\$225,000"

Page 108, line 22, delete "\$21,470,000" and insert "\$20,817,000"

Page 108, line 23, delete "\$21,425,000" and insert "\$20,772,000"

Page 108, line 27, delete "12,853,000" and insert "12,672,000"

Page 108, line 28, delete "12,819,000" and insert "12,454,000"

Page 108, line 35, delete "\$12,804,000" and insert "\$12,439,000"

Page 109, line 1, delete "\$12,786,000" and insert "\$12,421,000"

Page 109, line 5, delete "7,572,000" and insert "7,473,000"

Page 109, line 6, delete "7,673,000" and insert "7,473,000"

Correct the subdivision and section totals and the appropriations by fund

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 27 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Gazelka	Limmer	Osmek	Thompson
Benson	Hall	Miller	Pederson, J.	Weber
Brown	Hann	Nelson	Petersen, B.	Westrom
Chamberlain	Housley	Newman	Pratt	
Dahms	Ingebrigtsen	Nienow	Ruud	
Fischbach	Kiffmeyer	Ortman	Senjem	

Those who voted in the negative were:

Bonoff	Dahle	Franzen	Jensen	Marty
Carlson	Dibble	Goodwin	Johnson	Metzen
Champion	Dziedzic	Hawj	Kent	Pappas
Clausen	Eaton	Hayden	Koenen	Reinert
Cohen	Eken	Hoffman	Latz	Saxhaug

Scalze  
Schmit

Sheran  
Sieben

Skoe  
Stumpf

Tomassoni  
Torres Ray

Wiger  
Wiklund

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

Senator Petersen, B. moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 95, line 14, after "districts" insert ", except that a district, by a majority vote of the school board, may use up to 80 percent of the aid under this section to maintain student-teacher ratios in kindergarten through grade 12 classrooms without any reduction in aid under this paragraph"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 32, as follows:

Those who voted in the affirmative were:

Anderson	Dahms	Ingebrigtsen	Nienow	Ruud
Benson	Fischbach	Kiffmeyer	Ortman	Senjem
Bonoff	Gazelka	Limmer	Osmek	Thompson
Brown	Hall	Miller	Pederson, J.	Weber
Carlson	Hann	Nelson	Petersen, B.	
Chamberlain	Housley	Newman	Pratt	

Those who voted in the negative were:

Champion	Eken	Johnson	Saxhaug	Tomassoni
Clausen	Franzen	Kent	Scalze	Torres Ray
Cohen	Goodwin	Koenen	Schmit	Wiger
Dahle	Hawj	Latz	Sheran	Wiklund
Dibble	Hayden	Metzen	Sieben	
Dziedzic	Hoffman	Pappas	Skoe	
Eaton	Jensen	Reinert	Stumpf	

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

Senator Pratt moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 87, after line 22, insert:

"Sec. 3. Minnesota Statutes 2014, section 127A.45, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** This section applies to all aids or credits paid by the commissioner from the general fund to districts. The current year aid payment percentage specified in subdivision 2 must not be reduced below 90 unless the legislation affecting the aid payment percentage has received a vote of three-fifths of the members of each house of the legislature.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

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

Those who voted in the affirmative were:

Anderson	Gazelka	Miller	Pederson, J.	Thompson
Benson	Hall	Nelson	Pratt	Weber
Brown	Hann	Newman	Reinert	
Chamberlain	Housley	Nienow	Rosen	
Dahms	Ingebrigtsen	Ortman	Ruud	
Fischbach	Kiffmeyer	Osmek	Senjem	

Those who voted in the negative were:

Bakk	Dziedzic	Jensen	Pappas	Sparks
Bonoff	Eaton	Johnson	Petersen, B.	Stumpf
Carlson	Eken	Kent	Rest	Tomassoni
Champion	Franzen	Koenen	Saxhaug	Torres Ray
Clausen	Goodwin	Latz	Scalze	Westrom
Cohen	Hawj	Lourey	Schmit	Wiger
Dahle	Hayden	Marty	Sieben	Wiklund
Dibble	Hoffman	Metzen	Skoe	

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

Senator Kiffmeyer moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 6, after line 12, insert:

"Sec. 6. **126C.127** **GENERAL EDUCATION DISPARITY AID.**

**Subdivision 1. Eligible districts.** A school district, not including a charter school, qualifies for general education disparity aid if (1) the district's adjusted net tax capacity per adjusted pupil unit is less than the value of the district at or immediately below the 20th percentile of districts, or (2) the district's referendum market value per resident pupil unit is less than the value of the district at or immediately below the 20th percentile of districts.

**Subd. 2. General education disparity aid.** (a) A district's general education disparity aid allowance equals 0.7 times the greater of:

(1) zero; or

(2) the difference between (i) the amount of general education revenue per adjusted pupil unit under section 126C.10, not including referendum revenue, for the district at or immediately below the 20th percentile of districts, and (ii) the amount of general education revenue per adjusted pupil unit under section 126C.10, not including referendum revenue, for the district.

(b) For fiscal year 2016 and later, a district's general education disparity aid equals its general education disparity aid allowance times the adjusted pupil units.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2016 and later."

Page 12, after line 11, insert:

"**Subd. 10. General education disparity aid.** For general education disparity aid under Minnesota Statutes, section 126C.127:

\$            8,369,000    .....    2016  
\$            7,858,000    .....    2017"

Page 95, line 9, after "2017" insert "and later"

Page 95, line 10, delete "\$74,516,000" and insert "\$55,916,000" and delete "2018" and strike the old language

Page 95, line 11, strike the old language and delete the new language

Page 97, line 2, delete "69,170,000" and insert "52,430,000"

Page 97, line 4, delete "\$67,065,000" and insert "\$50,325,000"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Correct the subdivision and section totals and the appropriations by fund

The question was taken on the adoption of the amendment.

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

Those who voted in the affirmative were:

Anderson	Gazelka	Limmer	Osmek	Senjem
Benson	Hall	Miller	Pederson, J.	Thompson
Brown	Hann	Nelson	Petersen, B.	Weber
Chamberlain	Housley	Newman	Pratt	Westrom
Dahms	Ingebrigtsen	Nienow	Rosen	
Fischbach	Kiffmeyer	Ortman	Ruud	

Those who voted in the negative were:

Bonoff	Franzen	Kent	Reinert	Skoe
Clausen	Goodwin	Koenen	Rest	Sparks
Cohen	Hawj	Latz	Saxhaug	Stumpf
Dibble	Hayden	Lourey	Scalze	Tomassoni
Dziedzic	Hoffman	Marty	Schmit	Torres Ray
Eaton	Jensen	Metzen	Sheran	Wiger
Eken	Johnson	Pappas	Sieben	Wiklund

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

Senator Hann moved to amend H.F. No. 844, as amended pursuant to Rule 45, adopted by the Senate April 28, 2015, as follows:

(The text of the amended House File is identical to S.F. No. 811.)

Page 70, after line 17, insert:

"Sec. 10. **EDUCATION SAVINGS ACCOUNTS FOR STUDENTS WITH SPECIAL NEEDS ACT.**

Subdivision 1. Title. This act shall be known as the "Education Savings Accounts for Students with Special Needs Act."

Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "Commissioner" means the commissioner of education.

(c) "Department" means the Department of Education.

(d) "Educational service provider" means an eligible school, tutor, or other person or organization that provides education-related services and products to participating students. The eligible student's parent shall not be an educational service provider for that student.

(e) "Eligible school" means a nonpublic school where a student can fulfill compulsory education requirements and that is recognized by the commissioner or accredited by an accrediting agency recognized by the Minnesota Nonpublic Education Council under Minnesota Statutes, section 123B.445, paragraph (a). An eligible school does not include a home school under Minnesota Statutes, sections 120A.22, subdivision 4, and 120A.24.

(f) "Eligible student" means any student who has had an individualized education program (IEP) or has been determined by the resident school district to qualify for special education services.

(g) "Parent" means a resident of this state who is a parent, legal guardian, custodian, or other person with the authority to act on behalf of the eligible student.

(h) "Postsecondary institution" means a college or university accredited by a state, regional, or national accrediting organization.

(i) "Program" means a five-year pilot program to implement education savings accounts (ESAs).

(j) "Tutor" means a person who (1) is certified or licensed by a state, regional, or national certification or licensing organization to teach, (2) has earned a valid teacher's license, or (3) has experience teaching at a postsecondary institution.

Subd. 3. **ESA program.** (a) An eligible student qualifies to participate in the program if the student's parent signs an agreement:

(1) to arrange for the provision of organized, appropriate educational services with measurable goals to the participating student in at least the subjects of reading, writing, mathematics, social studies, and science; and

(2) to not enroll the participating student in a public school or a public charter school and to acknowledge as part of the agreement that the participating student has no individual entitlement to a free appropriate public education from the student's resident school district, including special education and related services, for as long as the student is participating in the program.

(b) A parent shall use the funds deposited in a participating student's ESA for any of the following qualifying expenses to educate the student using any of the methods or combination of methods in this paragraph that meet the requirement in paragraph (a), clause (1):

(1) tuition and fees at an eligible school;

(2) payment to a tutor;

(3) payment for purchase of curriculum, including any textbooks and supplemental materials required by the curriculum;

(4) fees for transportation to and from an educational service provider paid to a fee-for-service transportation provider;

(5) tuition and fees for online learning programs or courses;

(6) fees for nationally standardized norm-referenced achievement tests, including alternate assessments, and fees for advanced placement examinations or similar courses and any examinations related to college or university admission;

(7) educational services or therapies from a licensed or certified practitioner or provider, including licensed or certified paraprofessionals or educational aides;

(8) services provided by a public school, including individual classes and extracurricular programs;

(9) tuition, fees, and textbooks at a postsecondary institution;

(10) no more than \$300 in annual consumable school supplies necessary for the student's education; or

(11) computer hardware and software and other technological devices if an eligible school, tutor, educational service provider, or licensed medical professional verifies in writing that these items are necessary for the student to meet annual, measurable goals.

(c) Neither a participating student nor anyone on the student's behalf may receive cash or cash-equivalent items, such as gift cards or store credit, from refunds or rebates from a provider of services or products in this program. Refunds or rebates shall be credited directly to the participating student's ESA. The funds in an ESA may only be used for education-related purposes. Eligible schools, postsecondary institutions, and educational service providers that serve participating students shall provide parents with a receipt for all qualifying expenses.

(d) Payment for educational services through an ESA shall not preclude parents from paying for educational services using non-ESA funds.

(e) For purposes of continuity of educational attainment, students who enroll in the program shall remain eligible to receive quarterly ESA payments until the participating student returns to a public school, graduates from high school, or completes the school year in which the student reaches the age of 21, whichever occurs first.

(f) Any funds remaining in a student's ESA upon graduation from high school may be used to attend or take courses from a postsecondary institution, with qualifying expenses subject to the applicable conditions in paragraph (b).

(g) Upon the participating student's graduation from a postsecondary institution or after any period of four consecutive years after graduation from high school that the student is not enrolled in a postsecondary institution, the participating student's ESA shall be closed and any remaining funds shall be returned to the state general fund.

(h) A participating student shall be allowed to return to the resident school district at any time after enrolling in the program, according to rules adopted by the commissioner providing for the least disruptive process for doing so. Upon a participating student's return to the resident school district, the student's ESA shall be closed and any remaining funds shall be returned to the state general fund.

(i) The commissioner shall begin accepting applications for the program on July 1, 2016.

Subd. 4. **Funding.** (a) The commissioner shall deposit in each student's ESA the sum of state aids attributable to the student.

(b) The information in paragraph (a) must be provided by the school in the form required by the commissioner.

Subd. 5. **Administration.** (a) The commissioner shall create a standard form that parents of students submit to establish their student's eligibility for an ESA. The commissioner shall ensure that the application is readily available to interested families through various sources, including the department's Web site, and a copy of procedural safeguards annually given to parents.

(b) The commissioner shall provide parents of participating students with a written explanation of the allowable uses of ESAs, the responsibilities of parents, and the duties of the commissioner. The information shall also be made available on the department's Web site.

(c) The commissioner shall annually notify all students who are eligible to participate of the existence of the program and shall ensure that lower-income families are made aware of their potential eligibility.

(d) The commissioner of education must use existing budgetary resources to administer the program.

(e) The commissioner shall make payments to the ESAs of participating students on a quarterly basis unless there is evidence of misuse of the ESA pursuant to subdivision 6.

(f) The commissioner shall make a determination of eligibility and shall approve the application within 21 business days of receiving an application for participation in the program.

Subd. 6. **ESA establishment.** (a) To ensure that funds are spent appropriately, the commissioner shall adopt rules and policies necessary for the administration of the program, including the auditing of ESAs, and shall conduct or contract for random audits throughout the year.

(b) Beginning with the 2016-2017 school year, the commissioner shall issue ESA cards to parents making expenditures under this section on behalf of a participating student. ESA cards shall be issued to parents upon entry to the program and shall expire when the participating student's ESA is closed, except for the periodic expiration and replacement of cards in the normal course of business. All unexpended amounts shall remain in the student's ESA and be combined with the following year's allocation of ESA funds, subject to subdivision 3, paragraphs (f) and (g).

(c) The commissioner, taking into consideration requests from the parents of participating students, shall use merchant category classification (MCC) codes, or a similar system as practicable and consistent with current technology, to identify categories of providers that provide services and products consistent with subdivision 3, paragraph (b). The commissioner shall make a list of blocked and unblocked MCC codes publicly available for purposes of the program.

(d) The commissioner shall adopt a process for removing educational service providers that defraud parents and for referring cases of fraud to law enforcement.

(e) The commissioner shall establish or contract for the establishment of an online, anonymous fraud-reporting service and an anonymous telephone hotline for fraud reporting.

(f) The commissioner shall adopt rules implementing policies on misspending of ESA funds.

(g) Any amount not spent in the allowable categories pursuant to the agreement will cause the ESA card to be temporarily suspended and the parent contacted within five business days by United States mail at the parent's home address explaining the suspension, detailing the violation, and requesting the parent to:

(1) provide additional documentation within 15 business days justifying the expenditure; or

(2) repay the misspent amount within 15 business days.

(h) If the parent does not provide sufficient documentation and refuses to repay the amount, the commissioner shall begin the removal process and shall seek to recover the misspent funds using administrative measures or other appropriate measures, including referral to collections, seeking a civil judgment, or referral to law enforcement.

(i) If the parent repays the amount within the requested time frame, then the offense will be recorded and held in the parent's file.

(j) Three offenses within a consecutive three-year period shall disqualify the parent's student from participating in the program.

(k) If the commissioner determines that a parent has failed to comply with the terms of the agreement as specified in subdivision 3, the commissioner shall suspend the participating student's ESA. The commissioner shall notify the parent in writing within five business days that the ESA has been suspended and that no further transactions will be allowed or disbursements made. The notification shall specify the reason for the suspension and state that the parent has 21 business days to respond and take corrective action.

(l) If the parent fails to respond to the commissioner, to furnish reasonable and necessary information, or to make a report that may be required for reinstatement within the 21-day period, the commissioner may remove the participating student from the program.

(m) The decision of the commissioner under this section is subject to judicial review under Minnesota Statutes, sections 14.63 to 14.69. The decision of the commissioner is stayed pending an appeal.

(n) The commissioner shall refer cases of substantial misuse of funds to law enforcement agencies for investigation if evidence of fraudulent intent and use of an ESA is obtained.

Subd. 7. **Scope.** An eligible nonpublic school is autonomous and not an agent of the state or federal government, and therefore:

(1) the commissioner, department, or any other government agency shall not in any way regulate the educational program of a nonpublic school or educational service provider that accepts funds from the parent of a participating student;

(2) the creation of the program does not expand the regulatory authority of the state, its officers, or any school district to impose any additional regulation of nonpublic schools or educational service providers beyond those necessary to enforce the requirements of the program; and

(3) eligible schools and educational service providers shall be given the maximum freedom to provide for the educational needs of their students without governmental control. No eligible school

or educational service provider shall be required to alter its creed, practices, admission policies, or curriculum in order to accept participating students.

Subd. 8. **Severability.** If any provision of this law or its application is found to be unconstitutional and void, the remaining provisions or applications of this law that can be given effect without the invalid provision or application are valid.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies for the 2016-2017 through the 2020-2021 school years."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 37, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Kiffmeyer	Ortman	Ruud
Benson	Gazelka	Limmer	Osmek	Senjem
Bonoff	Hall	Miller	Pederson, J.	Thompson
Brown	Hann	Nelson	Petersen, B.	Weber
Chamberlain	Housley	Newman	Pratt	
Dahms	Ingebrigtsen	Nienow	Rosen	

Those who voted in the negative were:

Carlson	Eken	Kent	Rest	Stumpf
Champion	Franzen	Koenen	Saxhaug	Tomassoni
Clausen	Goodwin	Latz	Scalze	Torres Ray
Cohen	Hawj	Lourey	Schmit	Wiger
Dahle	Hayden	Marty	Sheran	Wiklund
Dibble	Hoffman	Metzen	Sieben	
Dziedzic	Jensen	Pappas	Skoe	
Eaton	Johnson	Reinert	Sparks	

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

H.F. No. 844 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 39 and nays 28, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Johnson	Pederson, J.	Skoe
Bonoff	Eken	Kent	Pratt	Sparks
Carlson	Franzen	Koenen	Reinert	Stumpf
Clausen	Goodwin	Latz	Rest	Tomassoni
Cohen	Hawj	Lourey	Saxhaug	Weber
Dahle	Hayden	Marty	Scalze	Wiger
Dahms	Hoffman	Metzen	Schmit	Wiklund
Dibble	Jensen	Nelson	Sheran	

Those who voted in the negative were:

Anderson	Eaton	Housley	Newman	Petersen, B.
Benson	Fischbach	Ingebrigtsen	Nienow	Rosen
Brown	Gazelka	Kiffmeyer	Ortman	Ruud
Chamberlain	Hall	Limmer	Osmek	Senjem
Champion	Hann	Miller	Pappas	Sieben

Thompson

Torres Ray

Westrom

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

### SPECIAL ORDER

**S.F. No. 1495:** A bill for an act relating to education; providing for policy for early childhood and kindergarten through grade 12 education, including general education, education excellence, special education, facilities and technology, early childhood education, libraries, and state agencies; amending Minnesota Statutes 2014, sections 13.32, subdivision 5; 120A.41; 120B.021, subdivision 4; 120B.022, subdivisions 1a, 1b; 120B.024, subdivision 2; 120B.11, subdivision 2; 120B.12, subdivisions 2, 4a; 120B.125; 120B.30, subdivisions 1, 1a, 3, 4, by adding subdivisions; 120B.31, subdivision 2; 121A.46, by adding subdivisions; 121A.53, subdivision 1; 121A.575; 121A.61, subdivision 3; 121A.67, by adding a subdivision; 122A.09, subdivision 4; 122A.14, subdivision 3; 122A.18, subdivision 2, by adding a subdivision; 122A.20, subdivision 1; 122A.21, subdivision 2; 122A.23; 122A.245, subdivisions 1, 7; 122A.30; 122A.31, subdivisions 1, 2; 122A.40, subdivision 8; 122A.41, subdivision 5; 122A.414, subdivision 3; 122A.60, subdivision 4; 122A.69; 123A.24, subdivision 1; 123B.77, subdivision 3; 123B.88, subdivision 1; 124D.09, subdivisions 5, 5a, 9; 124D.10, subdivisions 1, 3, 4, 8, 9, 10, 12, 14, by adding a subdivision; 124D.11, subdivision 9; 124D.121; 124D.122; 124D.126, subdivision 1; 124D.127; 124D.128, subdivision 1; 124D.165, subdivisions 2, 3, 4, by adding subdivisions; 124D.72; 124D.73, subdivisions 3, 4, by adding a subdivision; 124D.74, subdivisions 1, 3, 6; 124D.75, subdivisions 1, 2, 3, 9; 124D.76; 124D.78; 124D.79, subdivisions 1, 2; 124D.791, subdivision 4; 124D.98; 125A.01; 125A.023, subdivisions 3, 4; 125A.027; 125A.08; 125A.085; 125A.21; 125A.28; 125A.63, subdivisions 2, 3, 4, 5; 125A.75, subdivision 9; 125A.76, subdivisions 1, 2c; 125B.26, subdivision 2; 126C.10, subdivision 13a; 126C.13, subdivisions 3a, 4; 126C.15, subdivision 1; 126C.17, subdivisions 1, 2; 126C.48, subdivision 8; 127A.05, subdivision 6, by adding a subdivision; 127A.49, subdivision 1; 127A.70, subdivision 1; Laws 2014, chapter 312, article 16, section 15; proposing coding for new law in Minnesota Statutes, chapter 125A; repealing Minnesota Statutes 2014, sections 120B.128; 120B.35, subdivision 5; 125A.63, subdivision 1; 126C.12, subdivision 6; 126C.41, subdivision 1; Minnesota Rules, part 3500.1000.

Senator Wiger moved to amend S.F. No. 1495 as follows:

Page 60, delete section 51

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Wiger moved to amend S.F. No. 1495 as follows:

Page 14, line 35, reinstate the stricken "3" and delete "5"

Page 15, line 1, delete "5,"

Page 15, line 5, delete everything after the period

Page 15, delete lines 6 and 7

Page 25, after line 8, insert:

"Sec. 16. **[120B.301] LIMIT ON STANDARDIZED TESTING.**

For students in grades 1 through 6, the total amount of time spent on standardized assessments, either locally adopted or statewide, must not exceed 19 hours during a school year. For students in grades 7 through 12, the total amount of time spent on standardized assessments, either locally adopted or statewide, must not exceed 20 hours during a school year. For the purposes of this section, international baccalaureate and advanced placement exams are not considered standardized assessments. A district may be exempt from this requirement if the district, in consultation with the exclusive representative of the teachers, includes the reasons for exceeding the requirement in the report required under section 120B.11, subdivision 5."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Bonoff moved to amend the Wiger amendment to S.F. No. 1495 as follows:

Page 1, after line 5, insert:

"Page 15, line 26, after the period, insert "The commissioner must provide a school district with paper statewide assessments to administer to its students, if requested by the school district.""

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

The question recurred on the adoption of the Wiger amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Senator Marty moved to amend S.F. No. 1495 as follows:

Page 69, after line 7, insert:

"Sec. 69. **RECOMMENDATIONS ON SERVICE-LEARNING.**

The Board of Teaching may make recommendations to the legislature on teacher preparation and licensure requirements in the area of service-learning, consistent with Minnesota Statutes, section 124D.50, and the definition of service-learning in the federal National and Community Service Act, as amended, and submit the recommendations to the legislature by February 15, 2016. The board must consult with representatives of teacher preparation programs and institutions, school-based and community-based service-learning practitioners and experts, licensed teachers, students with service-learning experience, and other interested stakeholders in developing the recommendations."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Clausen moved to amend S.F. No. 1495 as follows:

Page 33, line 34, strike "three" and insert "four"

The motion prevailed. So the amendment was adopted.

Senator Nienow moved to amend S.F. No. 1495 as follows:

Page 93, after line 26, insert:

"Sec. 25. SPECIAL EDUCATION FORMS; READING LEVEL.

The Department of Education must use existing budgetary resources to determine the current reading level of its special education forms, establish a target reading level for such forms, and, based on that target level, determine whether alternative forms are needed to accommodate the lexical and sublexical cognitive processes of individual form users and readers. The department must work with interested special education stakeholders and reading experts in making the determinations and identification required in this section.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Bonoff moved to amend S.F. No. 1495 as follows:

Page 28, line 25, delete "four" and insert "two"

The motion prevailed. So the amendment was adopted.

### CALL OF THE SENATE

Senator Nienow imposed a call of the Senate for the balance of the proceedings on S.F. No. 1495. The Sergeant at Arms was instructed to bring in the absent members.

Senator Dahle moved to amend S.F. No. 1495 as follows:

Page 36, line 20, after the period, insert "Nothing in this section shall exclude licensed career and technical educators from the definition of "teacher" in section 122A.40, 122A.41, or 179A.03."

The motion prevailed. So the amendment was adopted.

Senator Ruud moved to amend S.F. No. 1495 as follows:

Page 100, after line 27, insert:

"Sec. 9. Minnesota Statutes 2014, section 127A.353, subdivision 2, is amended to read:

Subd. 2. **Qualifications.** The governor shall select the school trust lands director on the basis of outstanding professional qualifications and knowledge of finance, business practices, minerals, forest and real estate management, and the fiduciary responsibilities of a trustee to the beneficiaries of a trust. The school trust lands director serves in the unclassified service for a term of ~~four~~ five years. The first term shall end on December 31, ~~2016~~ 2020. The governor may remove the school trust lands director for cause. If a director resigns or is removed for cause, the governor shall appoint a director for the remainder of the term."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Limmer moved to amend S.F. No. 1495 as follows:

Page 25, after line 12, insert:

"Sec. 17. **[121A.35] STUDENT PHYSICAL PRIVACY ACT.**

Subdivision 1. **Purpose.** The purpose of this section is to protect and provide for the privacy and safety of all students enrolled in public schools and to maintain order and dignity in restrooms, locker rooms, changing rooms, showers, and other facilities where students may be in various states of undress in the presence of other students.

Subd. 2. **Definitions.** For the purposes of this section, the following terms have the meanings given them.

(a) "Sex" means the physical condition of being male or female, which is determined by a person's chromosomes and is identified at birth by a person's anatomy.

(b) "Public school" means a public school under section 120A.05, subdivisions 9, 11, 13, and 17, and a charter school under section 124D.10.

Subd. 3. **Student physical privacy protection.** (a) A public school student restroom, locker room, changing room, and shower room accessible by multiple students at the same time shall be designated for the exclusive use by students of the male sex only or by students of the female sex only.

(b) A public school student restroom, locker room, changing room, and shower room that is designated for the exclusive use of one sex shall be used only by members of that sex.

(c) In any other public school facility or setting where a student may be in a state of undress in the presence of other students, school personnel shall provide separate, private, and safe areas designated for use by students based on their sex.

(d) Nothing in this section shall prohibit public schools from providing accommodation such as single-occupancy facilities or controlled use of faculty facilities upon a student request due to special circumstances, but in no event shall that accommodation result in a public school allowing a student to use a facility designated under paragraph (b) for a sex other than the student's own sex."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 25 and nays 40, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Ingebrigtsen	Newman	Rosen
Benson	Gazelka	Kiffmeyer	Nienow	Ruud
Brown	Hall	Koenen	Osmek	Thompson
Chamberlain	Hann	Limmer	Pederson, J.	Weber
Dahms	Housley	Miller	Pratt	Westrom

Those who voted in the negative were:

Bakk	Cohen	Eken	Hoffman	Lourey
Bonoff	Dahle	Franzen	Jensen	Marty
Carlson	Dibble	Goodwin	Johnson	Metzen
Champion	Dziedzic	Hawj	Kent	Nelson
Clausen	Eaton	Hayden	Latz	Ortman

Pappas  
Reinert  
Rest

Saxhaug  
Scalze  
Schmit

Senjem  
Sheran  
Sieben

Skoe  
Sparks  
Stumpf

Torres Ray  
Wiger  
Wiklund

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

Senator Ortman moved to amend S.F. No. 1495 as follows:

Page 69, after line 7, insert:

"Sec. 69. **DEVELOPMENTAL COURSE TAKING; REPORT.**

The commissioner of education, in consultation with the commissioner of the Office of Higher Education, the chancellor of the Minnesota State Colleges and Universities, and the president of the University of Minnesota, shall collect and report the following information to the legislature by January 1, 2016:

(1) The tuition costs incurred by students enrolled in noncredit-bearing college courses at the University of Minnesota and the Minnesota State Colleges and Universities for developmental or remedial purposes for the 2014-2015 and preceding four school years; and

(2) For the same time period, the Minnesota high schools who graduated the students in clause (1), the aggregate number of students from each high school in clause (1), and the tuition cost under clause (1) for students from each high school."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 1495 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 53 and nays 13, as follows:

Those who voted in the affirmative were:

Bakk  
Bonoff  
Carlson  
Champion  
Clausen  
Cohen  
Dahle  
Dahms  
Dibble  
Dziedzic  
Eaton

Eken  
Franzen  
Goodwin  
Hawj  
Hayden  
Hoffman  
Housley  
Ingebrigtsen  
Jensen  
Johnson  
Kent

Koenen  
Latz  
Lourey  
Marty  
Metzen  
Miller  
Nelson  
Newman  
Nienow  
Ortman  
Pappas

Pederson, J.  
Pratt  
Reinert  
Rest  
Rosen  
Saxhaug  
Scalze  
Schmit  
Senjem  
Sheran  
Sieben

Skoe  
Sparks  
Stumpf  
Tomassoni  
Torres Ray  
Weber  
Westrom  
Wiger  
Wiklund

Those who voted in the negative were:

Anderson  
Benson  
Brown

Chamberlain  
Fischbach  
Gazelka

Hall  
Hann  
Kiffmeyer

Limmer  
Osmek  
Ruud

Thompson

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

**MOTIONS AND RESOLUTIONS - CONTINUED**

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

**MESSAGES FROM THE HOUSE**

Madam President:

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

**S.F. No. 2101:** A bill for an act relating to state government; appropriating money for agriculture, environment, natural resources, jobs, and economic development; providing for animal health and agricultural utilization research; making policy and technical changes to various agricultural related provisions, including provisions related to pesticide control, plant protection, nursery law, seeds, and loans; modifying license exclusions for the direct sale of certain prepared food; establishing the Agriculture Research, Education, Extension, and Technology Transfer Board; establishing the Industrial Hemp Development Act; providing for incentive payments and grants; modifying disposition of certain revenue; providing for pilot programs; establishing the farm opportunity loan program; modifying fee provisions; creating accounts; modifying recreational vehicle provisions; modifying aquatic invasive species provisions; modifying state park and trail provisions; modifying timber and land sale provisions; modifying provisions for reclamation of lands; modifying game and fish laws; modifying the Water Law; regulating water quality standards; regulating chemicals of high concern in children's products; modifying solid waste provisions; making policy changes to labor and industry, employment and economic development, Iron Range resources, and the Bureau of Mediation Services; requiring studies and reports; requiring rulemaking; amending Minnesota Statutes 2014, sections 13.43, subdivision 6; 13.643, subdivision 1; 13.7411, subdivision 8; 16C.144, by adding subdivisions; 18B.01, subdivisions 28, 29; 18B.32, subdivision 1; 18B.33, subdivision 1; 18B.34, subdivision 1; 18G.10, subdivisions 3, 4; 18H.02, subdivision 20, by adding subdivisions; 18H.06, subdivision 2; 18J.01; 18J.02; 18J.03; 18J.04, subdivisions 1, 2, 3, 4; 18J.05, subdivisions 1, 2, 6; 18J.06; 18J.07, subdivisions 3, 4, 5; 18J.09; 18J.11, subdivision 1, by adding a subdivision; 21.81, by adding subdivisions; 21.82, subdivisions 2, 4; 21.85, subdivision 2, by adding a subdivision; 21.89, subdivision 2; 41B.03, subdivision 6, by adding a subdivision; 41B.04, subdivision 17; 41B.043, subdivision 3; 41B.045, subdivisions 3, 4; 41B.046, subdivision 5; 41B.047, subdivisions 1, 4; 41B.048, subdivision 6; 41B.049, subdivision 4; 41B.055, subdivision 3; 41B.056, subdivision 2; 41B.06; 45.0135, by adding a subdivision; 60D.215, subdivision 2; 65B.44, by adding a subdivision; 72B.092, subdivision 1; 80A.84; 84.415, subdivision 7; 84.82, subdivisions 2a, 6; 84.92, subdivisions 8, 9, 10; 84.922, subdivision 5; 84D.01, by adding a subdivision; 84D.13, subdivision 5; 84D.15, subdivision 3; 85.015, by adding a subdivision; 85.055, subdivision 1; 85.32, subdivision 1; 86B.401, subdivision 3; 87A.10; 88.6435, subdivision 4; 90.14; 90.193; 93.20, subdivision 18; 94.16, subdivision 3; 97A.055, subdivision 4b; 97B.301, by adding a subdivision; 97C.301, by adding a subdivision; 103B.101, by adding a subdivision; 103B.3355; 103F.612, subdivision 2; 103G.005, by adding a subdivision; 103G.222, subdivisions 1, 3; 103G.2242, subdivisions 1, 2, 3, 4, 12, 14, 15; 103G.2251; 115A.1415, subdivision 16; 115A.557, subdivision 2; 115C.09, subdivision 1; 116.07, subdivision 4d; 116.9401; 116.9402; 116.9403; 116.9405; 116.9406; 116J.394; 116J.8738, subdivision 3, by adding a subdivision; 116L.05, subdivision 5; 116L.17,

subdivision 4; 123B.53, subdivision 1; 179A.041, by adding subdivisions; 216B.1694, subdivision 3; 216B.62, subdivision 3b; 268.035, subdivisions 6, 21b, 26, 30; 268.051, subdivision 7; 268.07, subdivisions 2, 3b; 268.085, subdivisions 1, 2; 268.095, subdivisions 1, 10; 268.105, subdivisions 3, 7; 268.136, subdivision 1; 268.194, subdivision 1; 298.018, subdivision 1; 298.22, subdivisions 1, 3, 4, 5, 6, 10, 11; 298.221; 298.2211, subdivision 3; 298.222; 298.223; 298.225, subdivision 2; 298.227; 298.28, subdivisions 4, 9a, 9d, 11, 15; 298.292, subdivision 2; 298.293; 298.2961, subdivision 3; 299F.01, by adding a subdivision; 326B.092, subdivision 7; 326B.096; 326B.106, subdivision 1, by adding a subdivision; 326B.13, subdivision 8; 326B.986, subdivisions 5, 8; 332.31, subdivisions 3, 6; 341.321; 375.30, subdivision 2; Laws 1994, chapter 493, section 1; Laws 2014, chapter 308, article 6, section 14, subdivision 5; Laws 2014, chapter 312, article 2, section 14; proposing coding for new law in Minnesota Statutes, chapters 13; 17; 28A; 41A; 41B; 65B; 80A; 84; 84D; 92; 103B; 103F; 116; 116J; 116L; 116U; 179; 268A; proposing coding for new law as Minnesota Statutes, chapter 18K; repealing Minnesota Statutes 2014, sections 17.115; 28A.15, subdivisions 9, 10; 41A.12, subdivision 4; 84.68; 86B.13, subdivisions 2, 4; 298.298; Laws 2010, chapter 215, article 3, section 3, subdivision 6, as amended.

Senate File No. 2101 is herewith returned to the Senate.

Patrick D. Murphy, Chief Clerk, House of Representatives

Transmitted April 29, 2015

Senator Tomassoni moved that the Senate do not concur in the amendments by the House to S.F. No. 2101, and that a Conference Committee of 5 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

### RECESS

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

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

### APPOINTMENTS

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

S.F. No. 5: Senators Bonoff, Clausen, Eken, Dziedzic and Miller.

S.F. No. 1458: Senators Lourey, Sheran, Hayden, Franzen and Rosen.

S.F. No. 878: Senators Latz, Champion, Dibble, Eaton and Senjem.

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

### MEMBERS EXCUSED

Senators Latz and Schmit were excused from the Session of today from 9:00 to 11:30 a.m. Senator Koenen was excused from the Session of today from 9:00 to 11:40 a.m. Senator Rosen was

excused from the Session of today from 12:00 noon to 1:25 p.m. Senator Bakk was excused from the Session of today from 12:30 to 1:30 p.m. and from 2:15 to 2:40 p.m. Senator Rest was excused from the Session of today from 1:15 to 1:30 p.m. Senator Lourey was excused from the Session of today from 1:20 to 1:25 p.m. Senator Westrom was excused from the Session of today from 1:20 to 1:25 p.m. and from 2:15 to 2:20 p.m. Senator Petersen, B. was excused from the Session at 3:45 p.m. Senator Tomassoni was excused from the Session of today from 4:45 to 5:10 p.m.

#### **ADJOURNMENT**

Senator Bakk moved that the Senate do now adjourn until 9:00 a.m., Thursday, April 30, 2015. The motion prevailed.

JoAnne M. Zoff, Secretary of the Senate

