

## STATE OF MINNESOTA

## EIGHTY-SEVENTH SESSION — 2011

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 TWENTIETH DAY

SAINT PAUL, MINNESOTA, THURSDAY, MARCH 3, 2011

The House of Representatives convened at 3:00 p.m. and was called to order by Kurt Zellers, Speaker of the House.

Prayer was offered by Ellen Miller, Pre-seminary Intern, Gustavus Adolphus College, St. Peter, Minnesota.

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

The roll was called and the following members were present:

Abeler	Dean	Hansen	Lanning	Mullery	Schomacker
Anderson, B.	Dettmer	Hausman	Leidiger	Murdock	Scott
Anderson, D.	Dill	Hayden	LeMieur	Murphy, E.	Shimanski
Anderson, P.	Dittrich	Hilstrom	Lenczewski	Murphy, M.	Simon
Anderson, S.	Doepke	Hilty	Lesch	Murray	Slawik
Anzelc	Downey	Holberg	Liebling	Myhra	Slocum
Atkins	Drazkowski	Hoppe	Lillie	Nelson	Smith
Barrett	Eken	Hornstein	Loeffler	Nornes	Stensrud
Beard	Erickson	Hortman	Lohmer	Norton	Swedzinski
Benson, J.	Fabian	Hosch	Loon	O'Driscoll	Thissen
Benson, M.	Falk	Howes	Mack	Paymar	Tillberry
Bills	Franson	Huntley	Mahoney	Pelowski	Torkelson
Brynaert	Garofalo	Johnson	Mariani	Peppin	Urdahl
Buesgens	Gauthier	Kahn	Marquart	Persell	Vogel
Carlson	Gottwalt	Kath	Mazorol	Petersen, B.	Wagenius
Champion	Greene	Kelly	McDonald	Peterson, S.	Ward
Clark	Greiling	Kieffer	McElpatrick	Poppe	Wardlow
Cornish	Gruenhagen	Kiel	McFarlane	Quam	Westrom
Crawford	Gunther	Kiffmeyer	McNamara	Rukavina	Winkler
Daudt	Hackbarth	Knuth	Melin	Runbeck	Woodard
Davids	Hamilton	Koenen	Moran	Sanders	Spk. Zellers
Davnie	Hancock	Kriesel	Morrow	Scalze	

A quorum was present.

Banaian, Fritz and Laine were excused.

The Chief Clerk proceeded to read the Journal of the preceding day. There being no objection, further reading of the Journal was dispensed with and the Journal was approved as corrected by the Chief Clerk.

## REPORTS OF STANDING COMMITTEES AND DIVISIONS

Anderson, B., from the Veterans Services Division to which was referred:

H. F. No. 50, A bill for an act relating to veterans; authorizing female-veteran designation for special veteran's license plates or Gold Star license plates; amending Minnesota Statutes 2010, section 168.123, by adding a subdivision.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2010, section 168.123, subdivision 1, is amended to read:

Subdivision 1. **General requirements; fees.** (a) On payment of a fee of \$10 for each set of two plates, or for a single plate in the case of a motorcycle plate, payment of the registration tax required by law, and compliance with other applicable laws relating to vehicle registration and licensing, as applicable, the commissioner shall issue:

(1) special veteran's plates to an applicant who served in the active military service in a branch of the armed forces of the United States or of a nation or society allied with the United States in conducting a foreign war, was discharged under honorable conditions, and is a registered owner of a passenger automobile, recreational motor vehicle, or truck resembling a pickup truck and having a manufacturer's nominal rated capacity of one ton, but which is not a commercial motor vehicle as defined in section 169.011, subdivision 16; or

(2) a veteran's special motorcycle plate as described in subdivision 2, paragraph (a), (f), (h), (i), or (j), or another special plate designed by the commissioner to an applicant who is a registered owner of a motorcycle and meets the criteria listed in this paragraph and in subdivision 2, paragraph (a), (f), (h), (i), or (j). Plates issued under this clause must be the same size as regular motorcycle plates. Special motorcycle license plates issued under this clause are not subject to section 168.1293.

(b) The additional fee of \$10 is payable for each set of veteran's plates, is payable only when the plates are issued, and is not payable in a year in which stickers are issued instead of plates.

(c) The veteran must have a certified copy of the veteran's discharge papers, indicating character of discharge, at the time of application. If an applicant served in the active military service in a branch of the armed forces of a nation or society allied with the United States in conducting a foreign war and is unable to obtain a record of that service and discharge status, the commissioner of veterans affairs may certify the applicant as qualified for the veterans' plates provided under this section.

(d) For license plates issued for one-ton trucks described in paragraph (a), clause (1), the commissioner shall collect a surcharge of \$5 on each \$10 fee collected under paragraph (a). The surcharge must be deposited in the vehicle services operating account in the special revenue fund.

(e) For license plates issued for the woman veteran plate described in subdivision 2, paragraph (m), the commissioner shall collect a surcharge of \$5 on each \$10 fee collected for that plate under paragraph (a). Where applicable, this surcharge is in lieu of the surcharge described in paragraph (d). The surcharge must be deposited in the women veterans license plate account, established in the state treasury, and the money in that account is appropriated each year to the commissioner of veterans affairs for a grant to the Minnesota Women Veterans Initiative Working Group for use in promoting public recognition of women serving in the military and of women veterans.

Sec. 2. Minnesota Statutes 2010, section 168.123, subdivision 2, is amended to read:

Subd. 2. **Design.** The commissioner of veterans affairs shall design the emblem for the veterans' special plates, subject to the approval of the commissioner, that satisfy the following requirements:

(a) For a Vietnam veteran who served after July 1, 1961, and before July 1, 1978, in the active military service in a branch of the armed forces of the United States or a nation or society allied with the United States the special plates must bear the inscription "VIETNAM VET" and the letters "V" and "V" with the first letter directly above the second letter and both letters just preceding the first numeral of the special plate number.

(b) For a veteran stationed on the island of Oahu, Hawaii, or offshore, during the attack on Pearl Harbor on December 7, 1941, the special plates must bear the inscription "PEARL HARBOR SURVIVOR" and the letters "P" and "H" with the first letter directly above the second letter and both letters just preceding the first numeral of the special plate number.

(c) For a veteran who served during ~~World War I or~~ World War II, the plates must bear the inscription "WORLD WAR II VET" ~~and:~~

~~(1) for a World War I veteran, the characters "W" and "I" with the first character directly above the second character and both characters just preceding the first numeral of the special plate number; or~~

~~(2) for a World War II veteran, the characters "W" and "II" with the first character directly above the second character and both characters just preceding the first numeral of the special plate number.~~

(d) For a veteran who served during the Korean Conflict, the special plates must bear the inscription "KOREAN VET" and the letters "K" and "V" with the first letter directly above the second letter and both letters just preceding the first numeral of the special plate number.

(e) For a combat wounded veteran who is a recipient of the Purple Heart medal, the plates must bear the inscription "COMBAT WOUNDED VET" and have a facsimile or an emblem of the official Purple Heart medal and the letters "C" over "W" with the first letter directly over the second letter just preceding the first numeral of the special plate number.

A member of the United States armed forces who is serving actively in the military and who is a recipient of the Purple Heart medal is also eligible for this license plate. The commissioner of public safety shall ensure that information regarding the required proof of eligibility for any applicant under this paragraph who has not yet been issued military discharge papers is distributed to the public officials responsible for administering this section.

(f) For a Persian Gulf War veteran, the plates must bear the inscription "GULF WAR VET" and the letters "G" and "W" with the first letter directly above the second letter and both letters just preceding the first numeral of the special plate number. For the purposes of this section, "Persian Gulf War veteran" means a person who served on active duty after August 1, 1990, in a branch of the armed forces of the United States or a nation or society allied with the United States or the United Nations during Operation Desert Shield, Operation Desert Storm, or other military operation in the Persian Gulf area combat zone as designated in United States Presidential Executive Order No. 12744, dated January 21, 1991.

(g) For a veteran who served in the Laos War after July 1, 1961, and before July 1, 1978, the special plates must bear the inscription "LAOS WAR VET" and the letters "L" and "V" with the first letter directly above the second letter and both letters just preceding the first numeral of the special plate number.

(h) For a veteran who is the recipient of:

(1) the Iraq Campaign Medal, the special plates must be inscribed with a facsimile of that medal and must bear the inscription "IRAQ WAR VET" directly below the special plate number;

(2) the Afghanistan Campaign Medal, the special plates must be inscribed with a facsimile of that medal and must bear the inscription "AFGHAN WAR VET" directly below the special plate number;

(3) the Global War on Terrorism Expeditionary Medal, the special plates must be inscribed with a facsimile of that medal and must bear the inscription "GWOT VETERAN" directly below the special plate number; or

(4) the Armed Forces Expeditionary Medal, the special plates must bear an appropriate inscription that includes a facsimile of that medal.

(i) For a veteran who is the recipient of the Global War on Terrorism Service Medal, the special plates must be inscribed with a facsimile of that medal and must bear the inscription "GWOT VETERAN" directly below the special plate number. In addition, any member of the National Guard or other military reserves who has been ordered to federally funded state active service under United States Code, title 32, as defined in section 190.05, subdivision 5b, and who is the recipient of the Global War on Terrorism Service Medal, is eligible for the license plate described in this paragraph, irrespective of whether that person qualifies as a veteran under section 197.447.

(j) For a veteran who is the recipient of the Korean Defense Service Medal, the special plates must be inscribed with a facsimile of that medal and must bear the inscription "KOREAN DEFENSE SERVICE" directly below the special plate number.

(k) For a veteran who is a recipient of the Bronze Star medal, the plates must bear the inscription "BRONZE STAR VET" and have a facsimile or an emblem of the official Bronze Star medal.

(l) For a veteran who is a recipient of the Silver Star medal, the plates must bear the inscription "SILVER STAR VET" and have a facsimile or an emblem of the official Silver Star medal.

(m) For a woman veteran, the plates must bear the inscription "WOMAN VETERAN." The commissioner of veterans affairs, in consultation with the commissioner of public safety, a representative of the Minnesota Women Veterans Initiative Working Group, and any interested Minnesota veterans service organization, shall design the special plates, subject to the approval of the commissioner of public safety.

**EFFECTIVE DATE.** This section is effective July 1, 2011."

Delete the title and insert:

"A bill for an act relating to veterans; authorizing special women veterans license plates; appropriating money; amending Minnesota Statutes 2010, section 168.123, subdivisions 1, 2."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Transportation Policy and Finance.

The report was adopted.

Lanning from the Committee on State Government Finance to which was referred:

H. F. No. 89, A bill for an act relating to elections; requiring voters to provide picture identification before receiving a ballot; providing for the issuance of voter identification cards at no charge; requiring certain notice; establishing a procedure for provisional balloting; amending Minnesota Statutes 2010, sections 201.12, subdivision 1; 204C.10; proposing coding for new law in Minnesota Statutes, chapters 201; 204C.

Reported the same back with the following amendments:

Page 5, after line 34, insert:

"Sec. 5. Minnesota Statutes 2010, section 204C.32, is amended to read:

**204C.32 CANVASS OF STATE PRIMARIES.**

Subdivision 1. **County canvass.** The county canvassing board shall meet at the county auditor's office on the ~~third~~ eighth day following the state primary. After taking the oath of office, the canvassing board shall publicly canvass the election returns delivered to the county auditor. The board shall complete the canvass on the ~~third~~ eighth day following the state primary and shall promptly prepare and file with the county auditor a report that states:

- (a) the number of individuals voting at the election in the county, and in each precinct;
- (b) the number of individuals registering to vote on election day and the number of individuals registered before election day in each precinct;
- (c) for each major political party, the names of the candidates running for each partisan office and the number of votes received by each candidate in the county and in each precinct;
- (d) the names of the candidates of each major political party who are nominated; and
- (e) the number of votes received by each of the candidates for nonpartisan office in each precinct in the county and the names of the candidates nominated for nonpartisan office.

Upon completion of the canvass, the county auditor shall mail or deliver a notice of nomination to each nominee for county office voted for only in that county. The county auditor shall transmit one of the certified copies of the county canvassing board report for state and federal offices to the secretary of state by express mail or similar service immediately upon conclusion of the county canvass. The secretary of state shall mail a notice of nomination to each nominee for state or federal office.

Subd. 2. **State canvass.** The State Canvassing Board shall meet at the Secretary of State's Office ~~seven~~ 14 days after the state primary to canvass the certified copies of the county canvassing board reports received from the county auditors. Immediately after the canvassing board declares the results, the secretary of state shall certify the names of the nominees to the county auditors. The secretary of state shall mail to each nominee a notice of nomination.

Sec. 6. Minnesota Statutes 2010, section 204C.33, subdivision 1, is amended to read:

Subdivision 1. **County canvass.** The county canvassing board shall meet at the county auditor's office between the ~~third~~ eighth and ~~tenth~~ 14th days following the state general election. After taking the oath of office, the board shall promptly and publicly canvass the general election returns delivered to the county auditor. Upon completion of the canvass, the board shall promptly prepare and file with the county auditor a report which states:

- (a) the number of individuals voting at the election in the county and in each precinct;
- (b) the number of individuals registering to vote on election day and the number of individuals registered before election day in each precinct;
- (c) the names of the candidates for each office and the number of votes received by each candidate in the county and in each precinct;
- (d) the number of votes counted for and against a proposed change of county lines or county seat; and
- (e) the number of votes counted for and against a constitutional amendment or other question in the county and in each precinct.

The result of write-in votes cast on the general election ballots must be compiled by the county auditor before the county canvass, except that write-in votes for a candidate for federal, state, or county office must not be counted unless the candidate has timely filed a request under section 204B.09, subdivision 3. The county auditor shall arrange for each municipality to provide an adequate number of election judges to perform this duty or the county auditor may appoint additional election judges for this purpose. The county auditor may open the envelopes or containers in which the voted ballots have been sealed in order to count and record the write-in votes and must reseal the voted ballots at the conclusion of this process. The county auditor must prepare a separate report of votes received by precinct for write-in candidates for federal, state, and county offices who have requested under section 204B.09 that votes for those candidates be tallied.

Upon completion of the canvass, the county canvassing board shall declare the candidate duly elected who received the highest number of votes for each county and state office voted for only within the county. The county auditor shall transmit a certified copy of the county canvassing board report for state and federal offices to the secretary of state by messenger, express mail, or similar service immediately upon conclusion of the county canvass.

Sec. 7. Minnesota Statutes 2010, section 204C.37, is amended to read:

**204C.37 COUNTY CANVASS; RETURN OF REPORTS TO SECRETARY OF STATE.**

A copy of the report required by sections 204C.32, subdivision 1, and 204C.33, subdivision 1, shall be certified under the official seal of the county auditor. The copy shall be enclosed in an envelope addressed to the secretary of state, with the county auditor's name and official address and the words "Election Returns" endorsed on the envelope. The copy of the canvassing board report and the precinct summary statements must be sent by express mail or delivered to the secretary of state. If the copy is not received by the secretary of state within ten days following ~~the applicable election~~ a primary election, or within 16 days following a general election, the secretary of state shall immediately notify the county auditor, who shall deliver another copy to the secretary of state by special messenger.

Sec. 8. Minnesota Statutes 2010, section 205.065, subdivision 5, is amended to read:

Subd. 5. **Results.** The municipal primary shall be conducted and the returns made in the manner provided for the state primary so far as practicable. On the ~~third~~ eighth day after the primary, the governing body of the municipality shall canvass the returns, and the two candidates for each office who receive the highest number of votes, or a number of candidates equal to twice the number of individuals to be elected to the office, who receive the highest number of votes, shall be the nominees for the office named. Their names shall be certified to the municipal clerk who shall place them on the municipal general election ballot without partisan designation and without payment of an additional fee.

Sec. 9. Minnesota Statutes 2010, section 205.185, subdivision 3, is amended to read:

Subd. 3. **Canvass of returns, certificate of election, ballots, disposition.** (a) Between the ~~third~~ eighth and ~~tenth~~ 14th days after an election, the governing body of a city conducting any election including a special municipal election, or the governing body of a town conducting the general election in November shall act as the canvassing board, canvass the returns, and declare the results of the election. The governing body of a town conducting the general election in March shall act as the canvassing board, canvass the returns, and declare the results of the election within ~~two~~ ten days after an election.

(b) After the time for contesting elections has passed, the municipal clerk shall issue a certificate of election to each successful candidate. In case of a contest, the certificate shall not be issued until the outcome of the contest has been determined by the proper court.

(c) In case of a tie vote, the canvassing board having jurisdiction over the municipality shall determine the result by lot. The clerk of the canvassing board shall certify the results of the election to the county auditor, and the clerk shall be the final custodian of the ballots and the returns of the election.

Sec. 10. Minnesota Statutes 2010, section 205A.03, subdivision 4, is amended to read:

Subd. 4. **Results.** The school district primary must be conducted and the returns made in the manner provided for the state primary as far as practicable. On the ~~third~~ eighth day after the primary, the school board of the school district shall canvass the returns, and the two candidates for each specified school board position who receive the highest number of votes, or a number of candidates equal to twice the number of individuals to be elected to at-large school board positions who receive the highest number of votes, are the nominees for the office named. Their names must be certified to the school district clerk who shall place them on the school district general election ballot without partisan designation and without payment of an additional fee.

Sec. 11. Minnesota Statutes 2010, section 205A.10, subdivision 3, is amended to read:

Subd. 3. **Canvass of returns, certificate of election, ballots, disposition.** Between the ~~third~~ eighth and ~~tenth~~ 14th days after a school district election other than a recount of a special election conducted under section 126C.17, subdivision 9, or 475.59, the school board shall canvass the returns and declare the results of the election. After the time for contesting elections has passed, the school district clerk shall issue a certificate of election to each successful candidate. If there is a contest, the certificate of election to that office must not be issued until the outcome of the contest has been determined by the proper court. If there is a tie vote, the school board shall determine the result by lot. The clerk shall deliver the certificate of election to the successful candidate by personal service or certified mail. The successful candidate shall file an acceptance and oath of office in writing with the clerk within 30 days of the date of mailing or personal service. A person who fails to qualify prior to the time specified shall be deemed to have refused to serve, but that filing may be made at any time before action to fill the vacancy has been taken. The school district clerk shall certify the results of the election to the county auditor, and the clerk shall be the final custodian of the ballots and the returns of the election.

A school district canvassing board shall perform the duties of the school board according to the requirements of this subdivision for a recount of a special election conducted under section 126C.17, subdivision 9, or 475.59."

Amend the title as follows:

Page 1, line 4, after the first semicolon, insert "changing certain canvassing deadlines;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Ways and Means.

The report was adopted.

Gunther from the Committee on Jobs and Economic Development Finance to which was referred:

H. F. No. 102, A bill for an act relating to economic development; establishing a Minnesota science and technology program; requiring reports; proposing coding for new law in Minnesota Statutes, chapter 116W.

Reported the same back with the following amendments:

Page 6, line 18, before "Money" insert "Subject to the limits in this clause."

Page 6, line 21, after the period, insert "Administrative expenses may not exceed five percent of the first \$5,000,000 in the fund and two percent of any amount in excess of \$5,000,000."

Page 6, line 28, delete "shall" and insert "may"

Page 6, lines 33 and 34, after "state" insert "or ceases operation in Minnesota"

Page 7, line 1, after "relocates" insert "or ceases operation in Minnesota"

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Taxes.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 110, A bill for an act relating to state government; increasing the membership of the Legislative Commission on Pensions and Retirement; amending Minnesota Statutes 2010, section 3.85, subdivision 3.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Anderson, B., from the Veterans Services Division to which was referred:

H. F. No. 186, A bill for an act relating to drivers' licenses; extending expiration period for driver's license while person is serving in active military service; amending Minnesota Statutes 2010, section 171.27.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2010, section 171.27, is amended to read:

**171.27 EXPIRATION OF LICENSE; MILITARY EXCEPTION.**

(a) The expiration date for each driver's license, other than under-21 licenses, is the birthday of the driver in the fourth year following the date of issuance of the license. The birthday of the driver shall be as indicated on the application for a driver's license. A license may be renewed on or before expiration or within one year after expiration upon application, payment of the required fee, and passing the examination required of all drivers for renewal. Driving privileges shall be extended or renewed on or preceding the expiration date of an existing driver's license unless the commissioner believes that the licensee is no longer qualified as a driver.

(b) The expiration date for each under-21 license shall be the 21st birthday of the licensee. Upon the licensee attaining the age of 21 and upon the application, payment of the required fee, and passing the examination required of all drivers for renewal, a driver's license shall be issued unless the commissioner determines that the licensee is no longer qualified as a driver.

(c) The expiration date for each provisional license is two years after the date of application for the provisional license.

(d) Any valid Minnesota driver's license issued to a person then or subsequently ~~on active duty with~~ servicing outside Minnesota in active military service, as defined in section 190.05, subdivision 5, in any branch or unit of the armed forces of the United States, or the person's spouse, shall continue in full force and effect without requirement for renewal until 90 days after the date of the person's discharge from such service, provided that a spouse's license must be renewed if the spouse is residing within the state at the time the license expires or within 90 days after the spouse returns to Minnesota and resides within the state. the date one year following the service member's separation or discharge from active military service, and until the license holder's birthday in the fourth full year following the person's most recent license renewal or, in the case of a provisional license, until the person's birthday in the third full year following the renewal.

**EFFECTIVE DATE.** This section is effective July 1, 2011, and applies to Minnesota drivers' licenses issued on or after that date."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Transportation Policy and Finance.

The report was adopted.

Anderson, B., from the Veterans Services Division to which was referred:

H. F. No. 232, A bill for an act relating to motor vehicles; expanding eligibility for gold star license plates to surviving legal guardians and siblings; amending Minnesota Statutes 2010, section 168.1253, subdivision 1.

Reported the same back with the recommendation that the bill pass and be re-referred to the Committee on Transportation Policy and Finance.

The report was adopted.

Gottwalt from the Committee on Health and Human Services Reform to which was referred:

H. F. No. 248, A bill for an act relating to insurance; enacting the recommendation of the Small Group Health Insurance Market Working Group by repealing a requirement that small employers that do not offer group health coverage either offer, or file a form with the state stating a decision not to offer, a Section 125 plan through which employees may contribute wages to a pretax account from which to pay for individual health insurance; repealing Minnesota Statutes 2010, section 62U.07.

Reported the same back with the recommendation that the bill pass and be re-referred to the Committee on Commerce and Regulatory Reform.

The report was adopted.

Lanning from the Committee on State Government Finance to which was referred:

H. F. No. 299, A bill for an act relating to state government; establishing a retained savings program for executive branch agencies; amending Minnesota Statutes 2010, section 16A.28, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 15.

Reported the same back with the following amendments:

Page 1, delete lines 14 and 15 and insert "and budget, 50 percent of any appropriations for agency operations that remain unspent at the end of a biennium because of unanticipated innovation, efficiencies, or creative cost-savings may be carried forward and retained by the agency"

Page 1, line 23, after "panel" insert "; review process" and before "Each" insert "(a)"

Page 2, after line 3, insert:

"(b) An agency may spend money for a project recommended for funding by the peer review panel after:

(1) the agency has posted notice of spending for the proposed project on the agency Web site for at least 30 days; and

(2) the commissioner of management and budget has approved spending money from the SAVI account for the project.

(c) Before approving a project, the commissioner of management and budget must submit the request to the Legislative Advisory Commission for its review and recommendation. Upon receiving a request from the commissioner, the Legislative Advisory Commission shall post notice of the request on a legislative Web site for at least 30 days. Failure of the commission to make a recommendation within this 30-day period is considered a negative recommendation. A recommendation of the commission must be made at a meeting of the commission unless a written recommendation is signed by all the members entitled to vote on the item."

Page 2, line 5, after "fund" insert ", or other appropriate fund as determined by the commissioner of management and budget,"

With the recommendation that when so amended the bill pass.

The report was adopted.

Dauids from the Committee on Taxes to which was referred:

H. F. No. 451, A bill for an act relating to taxation; conforming to federal tax treatment; amending Minnesota Statutes 2010, sections 289A.02, subdivision 7; 290.01, subdivisions 19, 31; 290A.03, subdivision 15.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

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

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, for taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.

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

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

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

- (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;
- (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and
- (3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through March 18, 2010, shall be in effect for taxable years beginning after December 31, 1996, except that for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010. The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6). The provisions of title II, section 2112, of the act of September 27, 2010, Public Law 111-240, rollovers from elective deferral plans to designated Roth accounts, are effective at the same time they became effective for federal purposes and taxable rollovers are included in net income at the same time they are included in gross income for federal purposes.

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 that the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:

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

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

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

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

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

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

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

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

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim

for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

(12) for taxable years beginning before January 1, 2010, and after December 31, 2010, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) for taxable years beginning before January 1, 2010, and after December 31, 2010, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

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

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

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

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

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

Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

- (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;
- (4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;
- (5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;
- (6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;
- (7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;
- (8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;
- (9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;
- (10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;
- (11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);
- (12) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;
- (13) the amount of net income excluded under section 114 of the Internal Revenue Code;
- (14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;
- (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;
- (16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

(20) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) except as already included in the taxpayer's taxable income pursuant to clause (20), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(22) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;

(23) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;

(24) for taxable years beginning before January 1, 2010, and after December 31, 2010, the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

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

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

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

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, for taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

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

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

Subd. 15. **Internal Revenue Code.** For taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.

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

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

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

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

Delete the title and insert:

"A bill for an act relating to taxation; conforming to certain changes in the Internal Revenue Code; amending Minnesota Statutes 2010, sections 289A.02, subdivision 7; 290.01, subdivisions 19, 19a, 19c, 31; 290A.03, subdivision 15."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Ways and Means.

#### MINORITY REPORT

March 3, 2011

I, the undersigned, being a minority of the Committee on Taxes, recommend that H. F. No. 451 do pass with the following amendments:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1 INDIVIDUAL INCOME TAXES

Section 1. Minnesota Statutes 2010, 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.

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) "Part-year resident" means an individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than 60 days, but less than 183 days, 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, except for days an individual is receiving medical services or caring for a family member who is receiving medical services. Individuals shall keep adequate records to substantiate the days spent outside the state.

(~~e~~) (d) Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 2. Minnesota Statutes 2010, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first ~~\$25,680~~ \$33,770, 5.35 percent;
- (2) On all over ~~\$25,680~~ \$33,770, but not over ~~\$102,030~~ \$134,170, 7.05 percent;
- (3) On all over ~~\$102,030~~ \$134,170, but not over \$150,000, 7.85 percent;
- (4) On all over \$150,000, 10.95 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$17,570~~ \$23,100, 5.35 percent;
- (2) On all over ~~\$17,570~~ \$23,100, but not over ~~\$57,710~~ \$75,890, 7.05 percent;
- (3) On all over ~~\$57,710~~ \$75,890, but not over \$85,000, 7.85 percent;
- (4) On all over \$85,000, 10.95 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$21,630~~ \$28,440, 5.35 percent;
- (2) On all over ~~\$21,630~~ \$28,440, but not over ~~\$86,910~~ \$114,290, 7.05 percent;
- (3) On all over ~~\$86,910~~ \$114,290, but not over \$130,000, 7.85 percent;
- (4) On all over \$130,000, 10.95 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income

brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13), (14), (15), and (17), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (8), (9), (13), (14), (15), and (17).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 3. Minnesota Statutes 2010, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2011, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2010, and before January 1, ~~2001~~ 2012. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~" "2010" shall be substituted for the word "1992." For ~~2001~~ 2012, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2010, to the 12 months ending on August 31, ~~2000~~ 2011, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2010, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

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

The inflation adjustment in this subdivision does not apply to the income floor for the 10.95 percent rate in subdivision 2c, paragraph (a), clause (4); subdivision 2c, paragraph (b), clause (4); or subdivision 2c, paragraph (c), clause (4), or to the income ceiling for the 7.85 percent rate in subdivision 2c, paragraph (a), clause (3); subdivision 2c, paragraph (b), clause (3); and subdivision 2c, paragraph (c), clause (3).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2011.

Sec. 4. Minnesota Statutes 2010, section 290.06, subdivision 22, is amended to read:

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident or part-year resident of this state pursuant to section 290.01, subdivision 7, paragraph (b) or (c), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

- (i) the District of Columbia; and
- (ii) a province or territory of Canada; but
- (2) excludes Puerto Rico and the several territories organized by Congress.
- (j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 290.17, subdivision 1, is amended to read:

Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals is not subject to allocation outside this state. The allocation rules apply to nonresident individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders of corporations treated as "S" corporations under section 290.9725, and all corporations not having such an election in effect. If a partnership or corporation would not otherwise be subject to the allocation rules, but conducts a trade or business that is part of a unitary business involving another legal entity that is subject to the allocation rules, the partnership or corporation is subject to the allocation rules.

(b) Expenses, losses, and other deductions (referred to collectively in this paragraph as "deductions") must be allocated along with the item or class of gross income to which they are definitely related for purposes of assignment under this section or apportionment under section 290.191, 290.20, or 290.36. Deductions definitely related to any item of gross income assigned under subdivision 2, paragraph (e), are assigned to the taxpayer's domicile.

(c) In the case of an individual who is a resident or part-year resident for only part of a taxable year, the individual's income, gains, losses, and deductions from the distributive share of a partnership, S corporation, trust, or estate are not subject to allocation outside this state to the extent of the distributive share multiplied by a ratio, the numerator of which is the number of days the individual was a resident or part-year resident of this state during the tax year of the partnership, S corporation, trust, or estate, and the denominator of which is the number of days in the taxable year of the partnership, S corporation, trust, or estate.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 6. Minnesota Statutes 2010, section 290.9201, subdivision 6, is amended to read:

Subd. 6. **Exemption from income tax.** (a) Compensation subject to the tax imposed under this section is not assignable to Minnesota under section 290.17.

(b) Entertainment entities are exempt from the tax under this section if the total compensation received by the entity during the taxable year is less than the filing requirements under section 6012 of the Internal Revenue Code for a single individual who is a full-year resident of Minnesota.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2011.

Sec. 7. Minnesota Statutes 2010, section 290.9201, subdivision 7, is amended to read:

Subd. 7. **Withholding on compensation of entertainers.** The tax on compensation of an entertainer must be withheld at a rate of two percent of ~~all~~ compensation paid to the entertainment entity by the person or corporation having legal control of the payment of the compensation when the amount the person or corporation paid to the entertainment entity during the calendar year exceeds \$600. The compensation subject to withholding under this section is not subject to the withholding provisions of section 290.92, subdivision 2a, 3, or 28, except the provisions of sections 270C.02, subdivision 2, paragraph (b), 270C.60, 289A.09, subdivisions 1, paragraph (f), and 2, 289A.60, and 289A.63 shall apply to withholding under this section as if the withholding were upon wages.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2011.

Sec. 8. **REPEALER.**

Minnesota Statutes 2010, sections 290.0678; and 290.9201, subdivision 3, are repealed.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2011.

## ARTICLE 2 CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2010, section 289A.08, subdivision 3, is amended to read:

Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, must file a return, ~~except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return.~~

(b) Members of a unitary business that are required to file a combined report on one return must designate a member of the unitary business to be responsible for tax matters, including the filing of returns, the payment of taxes, additions to tax, penalties, interest, or any other payment, and for the receipt of refunds of taxes or interest paid in excess of taxes lawfully due. The designated member must be a member of the unitary business that is filing the single combined report and either:

(1) a corporation that is subject to the taxes imposed by chapter 290; or

(2) a corporation that is not subject to the taxes imposed by chapter 290:

(i) Such corporation consents by filing the return as a designated member under this clause to remit taxes, penalties, interest, or additions to tax due from the members of the unitary business subject to tax, and receive refunds or other payments on behalf of other members of the unitary business. The member designated under this clause is a "taxpayer" for the purposes of this chapter and chapter 270C, and is liable for any liability imposed on the unitary business under this chapter and chapter 290.

(ii) If the state does not otherwise have the jurisdiction to tax the member designated under this clause, consenting to be the designated member does not create the jurisdiction to impose tax on the designated member, other than as described in item (i).

(iii) The member designated under this clause must apply for a business tax account identification number.

(c) The commissioner shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report. All members of an affiliated group that are required to file a combined report must file one return on behalf of the members of the group under rules adopted by the commissioner.

(d) If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation must include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

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

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) for taxable years beginning before January 1, 2011, the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);

(12) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(13) the amount of net income excluded under section 114 of the Internal Revenue Code;

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

(20) for taxable years beginning before January 1, 2011, an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) for taxable years beginning before January 1, 2011, except as already included in the taxpayer's taxable income pursuant to clause (20), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(22) for taxable years beginning before January 1, 2011, the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;

(23) for taxable years beginning before January 1, 2011, the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;

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

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 3. Minnesota Statutes 2010, 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) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

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

(10) for taxable years beginning before January 1, 2011, 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

(12) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

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

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

(17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero;

(18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition; and

(19) 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 section 290.01, subdivision 19c, clause (25).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 4. Minnesota Statutes 2010, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and other ores the mining or production of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company that is domiciled in a state or country other than Minnesota that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota. "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; and

(d) town and farmers' mutual insurance companies and mutual property and casualty insurance companies, other than those (1) writing life insurance or (2) whose total assets on December 31, 1989, exceeded \$1,600,000,000.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725 are allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ~~ten~~ 15 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, 2010.

Sec. 6. Minnesota Statutes 2010, 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. For a case in which the taxpayer cannot document the amount of its fixed-base percentage under section 41(c)(3) of the Internal Revenue Code, the taxpayer may elect to calculate its base amount using a fixed-base percentage of 16 percent.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 7. Minnesota Statutes 2010, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:		the tax equals:
less than	<del>\$ 500,000</del> <u>870,000</u>	\$0
<del>\$ 500,000</del> <u>870,000</u>	to <del>\$ 999,999</del> <u>1,739,999</u>	\$ <del>400</del> <u>170</u>
<del>\$ 1,000,000</del> <u>1,740,000</u>	to <del>\$ 4,999,999</del> <u>8,689,999</u>	\$ <del>300</del> <u>520</u>
<del>\$ 5,000,000</del> <u>8,690,000</u>	to <del>\$ 9,999,999</del> <u>17,369,999</u>	\$ <del>1,000</del> <u>1,740</u>
<del>\$ 10,000,000</del> <u>17,370,000</u>	to <del>\$ 19,999,999</del> <u>34,749,999</u>	\$ <del>2,000</del> <u>3,470</u>
<del>\$ 20,000,000</del> <u>34,750,000</u>	or more	\$ <del>5,000</del> <u>8,690</u>

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:		the tax equals:
less than	<del>\$ 500,000</del> <u>870,000</u>	\$0
<del>\$ 500,000</del> <u>870,000</u>	to <del>\$ 999,999</del> <u>1,739,999</u>	\$ <del>400</del> <u>170</u>
<del>\$ 1,000,000</del> <u>1,740,000</u>	to <del>\$ 4,999,999</del> <u>8,689,999</u>	\$ <del>300</del> <u>520</u>

\$ <del>5,000,000</del> <u>8,690,000</u>	to	\$ <del>9,999,999</del> <u>17,369,999</u>	\$ <del>1,000</del> <u>1,740</u>
\$ <del>10,000,000</del> <u>17,370,000</u>	to	\$ <del>19,999,999</del> <u>34,749,999</u>	\$ <del>2,000</del> <u>3,470</u>
\$ <del>20,000,000</del> <u>34,750,000</u>	or more		\$ <del>5,000</del> <u>8,690</u>

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 290.0922, is amended by adding a subdivision to read:

**Subd. 5. Inflation adjustment.** The commissioner shall adjust the dollar amounts of both the fee and the property, payrolls, and sales or receipts thresholds in subdivision 1 by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2010" must be substituted for the word "1992." For 2012, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2010, to the 12 months ending on August 31, 2011, and in each subsequent year, from the 12 months ending on August 31, 2010, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision is not a "rule" subject to the Administrative Procedure Act in chapter 14. The fee amounts as adjusted must be rounded to the nearest \$10 amounts and the threshold amounts must be adjusted to the nearest \$10,000 amounts. For fee amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

Sec. 9. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

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

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

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

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

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 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. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. ~~The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).~~

~~(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.~~

~~Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:~~

~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and~~

~~(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (10), shall not be allowed.~~

~~If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.~~

~~(h) (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 ~~other than foreign operating corporations~~ that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

~~(i) (h)~~ Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, ~~deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (10);~~ shall not be disallowed.

~~(j) (i)~~ Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph ~~(h) (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 ~~(h) (g)~~ in the denominators of the apportionment formula. The Minnesota sales, as defined in section 290.191, of a corporation that is part of a unitary business and that is not subject to the jurisdiction to tax under section 290.015 must be assigned, as prescribed by the commissioner, to the numerator of another entity that is part of the unitary business and that is subject to tax under this chapter.

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

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

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 10. Minnesota Statutes 2010, 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 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) 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.

(g) The deduction provided by this subdivision does not apply to dividends received from a real estate investment trust, if the dividends are not considered to be dividends under sections 243(d)(3) and 857(c) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 11. **[290.351] INSURANCE COMPANIES.**

Subdivision 1. **Computation of net income.** (a) The net income of insurance companies taxable under this chapter must be computed as provided in this subdivision.

(b) Each life insurance company must report to the commissioner the life insurance company taxable net income as defined in section 801(b) of the Internal Revenue Code, incorporating any elections made by the taxpayer in determining life insurance company taxable income for federal income tax purposes.

(c) Each insurance company other than a life insurance company must report to the commissioner its federal taxable income as defined in section 832 of the Internal Revenue Code, or its taxable investment income as defined in section 832 of the Internal Revenue Code, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income or taxable investment income for federal income tax purposes.

(d) The life insurance company taxable net income, federal taxable income, or taxable investment income so reported is subject to the modifications provided in section 290.01, subdivisions 19c to 19f.

Subd. 2. **Apportionment of taxable net income.** (a) The commissioner shall compute therefrom the taxable net income of insurance companies by assigning to this state that proportion thereof which the gross premiums collected by them during the taxable year from old and new business within this state bears to the total gross premiums collected by them during that year from their entire old and new business, including reinsurance premiums; provided, the commissioner shall add to the taxable net income so apportioned to this state the amount of any taxes on premiums paid by the company by virtue of any law of this state, other than the surcharge on premiums imposed by section 297I.10 and the surcharge imposed by section 168A.40, subdivision 3, which were deducted from gross income by the company in arriving at its total net income.

(b) For purposes of determining the Minnesota apportionment percentage, premiums from reinsurance contracts in connection with property in or liability arising out of activity in, or in connection with the lives or health of Minnesota residents, are assigned to Minnesota and premiums from reinsurance contracts in connection with property in or liability arising out of activity in, or in connection with the lives or health of non-Minnesota residents, are assigned outside of Minnesota. Reinsurance premiums are presumed to be received for a Minnesota risk and are assigned to Minnesota, if:

(1) the reinsurance contract is assumed for a company domiciled in Minnesota; and

(2) the taxpayer, upon request of the commissioner, fails to provide reliable records indicating the reinsured contract covered non-Minnesota risks. For purposes of this paragraph, "Minnesota risk" means coverage in connection with property in or liability arising out of activity in Minnesota, or in connection with the lives or health of Minnesota residents.

(c) The apportionment method prescribed by paragraph (b) is presumed to fairly and correctly determine the taxpayer's taxable net income. If the method prescribed in paragraph (b) does not fairly reflect all or any part of taxable net income, the taxpayer may petition for or the commissioner may require the determination of taxable net income by use of another method if that method fairly reflects taxable net income. A petition within the meaning of this section must be filed by the taxpayer on such form as the commissioner requires.

Subd. 3. **Credit.** An insurance company is allowed a credit against the tax computed under sections 290.06, subdivision 1, and 290.0921, equal to any taxes based on premiums paid by it that are attributable to the period for which the tax under this chapter is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by section 297I.10.

Subd. 4. **Nonprofit health service plan corporation.** For purposes of this section, the taxable income of a nonprofit health service plan corporation must be determined as provided under section 833 of the Internal Revenue Code and section 290.01, subdivisions 19c to 19f.

Subd. 5. **Definition of insurance company.** For purposes of this section, the terms "insurance company," "life insurance company," and "insurance company other than life" have the meanings given in the Internal Revenue Code.

Subd. 6. **Guaranty association assessment offset.** (a) An insurance company may offset against its corporate franchise tax liability under this chapter any amount paid under assessments made for insolvencies under sections 60C.01 to 60C.22, and any amount paid under assessments made under sections 61B.18 to 61B.32, as follows:

(1) each assessment gives rise to an amount of offset equal to 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid; and

(2) the amount of offset initially determined for each taxable year is the sum of the amounts determined under clause (1) for that taxable year.

(b)(1) Each year the commissioner shall compare total guaranty association assessments levied over the preceding five calendar years to the sum of all premium tax and corporate franchise tax revenues collected from insurance companies without reduction for any guaranty association assessment offset in the preceding calendar year, referred to in this subdivision as "preceding year insurance tax revenues."

(2) If total guaranty association assessments levied over the preceding five years exceed the preceding year insurance tax revenues, insurance companies are allowed only a proportionate part of the corporate franchise tax offset calculated under paragraph (a) for the current calendar year.

(3) The proportionate part of the corporate franchise tax offset allowed in the current calendar year is determined by multiplying the amount calculated under paragraph (a) by a fraction, the numerator of which equals the preceding year insurance tax revenues and the denominator of which equals total guaranty association assessments levied over the preceding five-year period.

(4) The proportionate part of the premium tax offset that is not allowed must be carried forward to subsequent tax years and added to the amount of corporate franchise tax offset calculated under paragraph (a) before application of the limitation imposed by this paragraph.

(5) Any amount carried forward from prior years must be allowed before allowance of the offset for the current year calculated under paragraph (a).

(6) The corporate franchise tax offset limitation must be calculated separately for (i) insurance companies subject to assessment under sections 60C.01 to 60C.22, and (ii) insurance companies subject to assessment under sections 61B.18 to 61B.32.

(7) When the corporate franchise tax offset is limited by this provision, the commissioner of revenue will notify affected insurance companies on a timely basis for purposes of completing premium and corporate franchise tax returns.

(8) The guaranty associations created under sections 60C.01 to 60C.22 and 61B.18 to 61B.32 shall provide the commissioner of revenue with the necessary information on guaranty association assessments.

(c)(1) If the offset determined by the application of paragraphs (a) and (b) exceeds the greater of the insurance company's corporate franchise tax liability under this chapter prior to allowance of the credit provided by subdivision 3 or its premium tax liability under chapter 297I, then the insurance company may carry forward the excess, referred to in this subdivision as the "carryforward credit," to subsequent taxable years.

(2) The carryforward credit must be allowed as an offset against corporate franchise tax liability for the first succeeding year to the extent that the corporate franchise tax liability for that year exceeds the amount of the allowable offset for the year determined under paragraphs (a) and (b).

(3) The carryforward credit must be reduced, but not below zero, by the greater of the amount of the carryforward credit allowed as an offset against the corporate franchise tax under this paragraph or the amount of the carryforward credit allowed as an offset against the insurance company's premium tax liability under chapter 297I pursuant to section 297I.20, paragraph (c). The remainder, if any, of the carryforward credit must be carried forward to succeeding taxable years until the entire carryforward credit has been credited against the insurance company's liability for corporate franchise tax under this chapter and premium tax under chapter 297I.

(d) When an insurer has offset against taxes its payment of an assessment of the Minnesota Life and Health Guaranty Association, and the association pays the insurer a refund with respect to the assessment under section 61B.24, subdivision 6, then the refund reduces the insurer's carryforward credit under paragraph (c). If the refund exceeds the amount of the carryforward credit, the excess amount must be repaid to the state by the insurers to the extent of the offset in the manner the commissioner requires.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 12. **REPEALER.**

Minnesota Statutes 2010, sections 290.01, subdivision 6b; and 290.0921, subdivision 7, are repealed.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

ARTICLE 3  
FEDERAL CONFORMITY

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

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ December 17, 2010.

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

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

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

- (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;
- (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and
- (3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ December 17, 2010, shall be in effect for taxable years beginning after December 31, 1996. The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6).

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

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

Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:

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

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

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

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

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

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of (i) the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code minus (ii) any addition required under clause (18). For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

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

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

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

(12) for taxable years beginning before January 1, 2010, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) for taxable years beginning before January 1, 2010, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

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

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

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

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

(18) for taxable years beginning after December 31, 2010, to the extent deducted in computing federal taxable income, the amount by which the standard deduction allowed under section 63(c) of the Internal Revenue Code exceeds the standard deduction allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through September 27, 2010;

(19) for taxable years beginning after December 31, 2010, to the extent deducted in computing federal taxable income, the amount of the phaseout of deductions for personal exemptions under section 151(d)(3) of the Internal Revenue Code, disregarding the reduction and termination of the phaseout under sections 151(d)(3)(E) and 151(d)(3)(F); and

(20) for taxable years beginning after December 31, 2010, to the extent deducted in computing federal taxable income, the amount of the limitation on itemized deductions under section 68 of the Internal Revenue Code, disregarding the phaseout and termination of the limitation under sections 68(f) and 68(g).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010, except the changes to clauses (12) and (13) are effective for taxable years beginning after December 31, 2009.

Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);

(12) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(13) the amount of net income excluded under section 114 of the Internal Revenue Code;

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343, and without regard to the provisions of title VII, section 750 of Public Law 110-312;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

(20) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) except as already included in the taxpayer's taxable income pursuant to clause (20), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

- (ii) income from factoring transactions or discounting transactions;
- (iii) royalty, patent, technical, and copyright fees;
- (iv) licensing fees; and
- (v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(22) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;

(23) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;

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

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

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

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 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) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

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

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

(12) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

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

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343, and without regard to the provisions of title VII, section 750 of Public Law 110-312;

(17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero;

(18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition; and

(19) 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 section 290.01, subdivision 19c, clause (25).

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

Sec. 6. Minnesota Statutes 2010, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual 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 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or adjusted gross income, whichever is greater, in excess of \$17,890, 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) or (15), 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, 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 each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, and before December 31, 2010, 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) For tax years beginning after December 31, 2010, and before December 31, 2012, 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 each increased by \$5,080 for married taxpayers filing joint returns. For tax years beginning after December 31, 2011, and before December 31, 2012, the commissioner shall adjust the \$5,080 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 "2010" shall be substituted for the word "1992." For 2012, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2010, to the 12 months ending on August 31, 2011, and in each subsequent year, from the 12 months ending on August 31, 2010, 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)~~ (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, 2010.

Sec. 7. Minnesota Statutes 2010, section 290.0675, subdivision 1, is amended to read:

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

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

- (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;
- (2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and
- (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year minus the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii) one-half the amount of the standard deduction under section 63(c)(2)(A) and (4) of the Internal Revenue Code minus one-half of any addition required under section 290.01, subdivision 19a, clause (18).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ December 17, 2010.

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

Sec. 9. **CORRECTED FORM W-2 NOT REQUIRED.**

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

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

#### ARTICLE 4 SALES AND USE TAXES

Section 1. **[116J.618] TOURISM PROMOTION ACCOUNT.**

The tourism promotion account is established in the general fund. Revenue generated by one percent of the tax under section 297A.64, subdivision 1, shall be deposited in this fund and is annually appropriated to the Explore Minnesota Tourism Council for use in state tourism development and promotion.

**EFFECTIVE DATE.** This section is effective for revenues from sales and purchases made after June 30, 2011.

Sec. 2. Minnesota Statutes 2010, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

- (1) prepared food sold by the retailer;
- (2) soft drinks;
- (3) candy;
- (4) dietary supplements; and
- (5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer, or license to use, for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise, or when the customer accesses the software and any ancillary computer hardware by means of remote facilities.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, product exhibition and selling events, or athletic events, including the rental of box seats and suites in stadiums and arenas, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice and including accommodations intermediary services provided in connection with other services provided under this clause;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction, and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

For purposes of clause (5), "road construction" means construction of (1) public roads, (2) cartways, and (3) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, cable television services, and direct satellite services, ~~and ring tones~~. Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

**EFFECTIVE DATE.** This section is for sales and purchases made after June 30, 2011.

Sec. 3. Minnesota Statutes 2010, section 297A.61, subdivision 7, is amended to read:

Subd. 7. **Sales price.** (a) "Sales price" means the measure subject to sales tax, and means the total amount of consideration, including cash, credit, personal property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(1) the seller's cost of the property sold;

(2) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expenses of the seller;

(3) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;

(4) delivery charges, except the percentage of the delivery charge allocated to delivery of tax exempt property, when the delivery charge is allocated by using either (i) a percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment, or (ii) a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment; and

(5) installation charges.

(b) Sales price does not include:

(1) discounts, including cash, terms, or coupons, that are not reimbursed by a third party and that are allowed by the seller and taken by a purchaser on a sale;

(2) interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and

(3) any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(c) Sales price includes consideration received by the seller from third parties if:

(1) the seller actually receives consideration from a party other than the purchaser and the consideration is directly related to a price reduction or discount on the sale;

(2) the seller has an obligation to pass the price reduction or discount through to the purchaser;

(3) the amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and

(4) one of the following criteria is met:

(i) the purchaser presents a coupon, certificate, or other documentation to the seller to claim a price reduction or discount when the coupon, certificate, or documentation is authorized, distributed, or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate, or documentation is presented;

(ii) the purchaser identifies himself or herself to the seller as a member of a group or organization entitled to a price reduction or discount. A "preferred customer" card that is available to any customer does not constitute membership in such a group; or

(iii) the price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser.

(d) For services as defined in subdivision 3, paragraph (g), clause (2), sales price includes amounts charged for services provided by an accommodations intermediary delivered or provided in connection with services defined in subdivision 3, paragraph (g), clause (2).

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 4. Minnesota Statutes 2010, section 297A.61, subdivision 25, is amended to read:

Subd. 25. **Cable television service.** "Cable television service" means the transmission of video, audio, or other programming service, including digital video recording services, to purchasers, and the subscriber interaction, if any, required for the selection or use of the programming service, regardless of whether the programming is transmitted over facilities owned or operated by the cable service provider or over facilities owned or operated by one or more dealers of communications services. The term includes point-to-multipoint distribution services by which programming is transmitted or broadcast by microwave or other equipment directly to the subscriber's premises. The term includes basic, extended, premium, pay-per-view, digital, and music services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 5. Minnesota Statutes 2010, section 297A.61, subdivision 27, is amended to read:

Subd. 27. **Direct satellite service.** "Direct satellite service" means programming and programming services, including digital video recording services, and the subscriber interaction, if any, required for the selection or use of the programming service transmitted or broadcast by satellite directly to the subscriber's premises without the use of ground receiving or distribution equipment, except at the subscriber's premises or in the uplink process to the satellite.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 6. Minnesota Statutes 2010, section 297A.61, is amended by adding a subdivision to read:

Subd. 47. **Accommodations intermediary.** "Accommodations intermediary" means any person or entity, other than an accommodations provider, that facilitates the sale of lodging as defined in section 297A.61, subdivision 3, paragraph (g), clause (2), and that charges a room charge to the customer. The term "facilitates the sale" includes brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 7. Minnesota Statutes 2010, section 297A.61, is amended by adding a subdivision to read:

Subd. 48. **Accommodations provider.** "Accommodations provider" means any person or entity that furnishes lodging as defined in section 297A.61, subdivision 3, paragraph (g), clause (2), to the general public for compensation. The term "furnishes" includes the sale of use or possession or the sale of the right to use or possess.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 8. Minnesota Statutes 2010, section 297A.64, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.002, subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as defined in section 168.002, subdivision 26. The rate of tax is ~~6.2~~ 7.2 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 9. Minnesota Statutes 2010, section 297A.66, is amended by adding a subdivision to read:

Subd. 4a. **Solicitor.** (a) "Solicitor" for purposes of subdivision 1, paragraph (a), means a person, whether an independent contractor or other representative, who directly or indirectly solicits business for the retailer.

(b) A retailer is presumed to have a solicitor in this state if it enters into an agreement with a resident under which the resident, for a commission or other consideration, directly or indirectly refers potential customers, whether by a link on an Internet Web site, or otherwise, to the seller. This paragraph only applies if the total gross receipts from sales to customers located in the state who were referred to the retailer by all residents with this type of agreement with the retailer is at least \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter before the calendar quarter in which the sale is made.

(c) The presumption under paragraph (b) may be rebutted by proof that the resident with whom the seller has an agreement did not engage in any solicitation in the state on behalf of the retailer that would satisfy the nexus requirement of the United States Constitution during the 12-month period in question. Nothing in this section shall be construed to narrow the scope of the terms affiliate, agent, salesperson, canvasser, or other representative for purposes of subdivision 1, paragraph (a).

(d) For purposes of this paragraph, "resident" includes an individual who is a resident of this state, as defined in section 290.01, or a business that owns tangible personal property located in this state or has one or more employees providing services for it in this state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 10. Minnesota Statutes 2010, section 297A.66, is amended by adding a subdivision to read:

Subd. 6. **Lodging services.** An accommodations intermediary shall collect sales and use taxes and remit them to the commissioner under section 297A.77 for services provided in connection with or for lodging located in this state. The accommodation provider is deemed to be the agent of the accommodations intermediary for purposes of establishing the intermediary's obligation to collect.

**EFFECTIVE DATE.** This section is effective for lodging and related services provided after June 30, 2011.

Sec. 11. Minnesota Statutes 2010, section 297A.668, is amended by adding a subdivision to read:

Subd. 9. **Florist sales.** Notwithstanding other subdivisions of this section, if a florist or nursery in Minnesota takes an order for flowers, wreaths, or other tangible property and transmits the order to another florist or nursery for delivery, the sale shall be sourced to the location of the florist or nursery which initially takes the order, regardless of whether the florist or nursery to whom the order is transmitted is located within or outside of Minnesota.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 12. Minnesota Statutes 2010, section 297A.68, is amended by adding a subdivision to read:

Subd. 42. **Lodging services purchased for resale.** Services purchased from an accommodations provider for resale by an accommodations intermediary are exempt. The exemption under this subdivision and under the exclusion of sales for resale from the definition of a retail sale in section 297A.61, subdivision 4, applies only to an accommodations intermediary that registers to pay and to collect and remit tax under section 297A.83 for the applicable period. Registration confirms the intermediary's agreement to its legal obligation to collect.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 13. Minnesota Statutes 2010, section 297A.70, subdivision 6, is amended to read:

Subd. 6. **Ambulances.** The lease of a motor vehicle for use as an ambulance, or specifically intended to be equipped and used as an emergency response vehicle, by an ambulance service licensed under section 144E.10 is exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 14. Minnesota Statutes 2010, section 297A.94, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 1, in the state treasury and credit them as follows:

(1) the amount, including penalties and interest, resulting in a tax of one percent on leases subject to the tax in section 297A.64 into the tourism promotion account; and

(2) the remainder in the general fund.

~~(g)~~ (h) The revenues deposited under paragraphs (a) to (f) do not include the revenues, 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 for revenue from leases entered into after June 30, 2011.

Sec. 15. Minnesota Statutes 2010, section 297B.03, is amended to read:

**297B.03 EXEMPTIONS.**

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota-based private or for-hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance, or specifically intended to be equipped and used as an emergency response vehicle, by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.002, 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

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

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax; and

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 16. **TRANSITION PROVISION.**

(a) This section applies to sales and use tax imposed on accommodations intermediaries for sales made before July 1, 2011, if the lodging was purchased by the accommodations intermediary for resale and the accommodations provider imposed tax under Minnesota Statutes, chapter 297A, on the sale. In computing the sales price for the tax to be collected from the accommodations intermediary, the amount paid by the accommodations intermediary to the accommodations provider is excluded.

(b) The provisions of this section apply to local taxes imposed under Minnesota Statutes, section 469.190, or any special law.

(c) For purposes of this section, the terms defined under Minnesota Statutes, chapter 297A, apply.

**EFFECTIVE DATE.** This section is effective for sales and purchases made before July 1, 2010.

Sec. 17. **RULE CHANGE.**

The revisor of statutes shall amend Minnesota Rules, part 8130.9700, subpart 3, item B, by deleting the sentence that states that "Use of equipment on a time-sharing basis, where access to the equipment is only by means of remote access facilities, is not a taxable leasing of such equipment."

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2011.

Sec. 18. **REPEALER.**

Minnesota Rules, part 8130.0500, subpart 2, is repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2011.

ARTICLE 5  
MISCELLANEOUS

Section 1. Minnesota Statutes 2010, 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, and high-valued homes, as defined in this section. The state general levy base amount for commercial-industrial property is \$592,000,000 \$764,210,000 for taxes payable in 2002 2012. The state general levy base amount for seasonal residential recreational property is \$40,222,000 for taxes payable in 2012. The state general levy base amount for high-valued homes is \$57,000,000 for taxes payable in 2012. 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~~ rates 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, or high-valued homes, 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 2012 and thereafter.

Sec. 2. Minnesota Statutes 2010, section 275.025, is amended by adding a subdivision to read:

**Subd. 3a. High-valued home tax capacity.** For the purposes of this section, "high-valued home tax capacity" means the tax capacity resulting from any market value in excess of \$1,000,000 per parcel for property classified as residential homestead, agricultural homestead, single-unit residential nonhomestead, or noncommercial class 4c(1) under section 273.13. In the case of property classified as agricultural homestead, only the portion of the property consisting of the house, garage, and surrounding one acre of land is eligible to be included in high-valued home tax capacity.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 3. Minnesota Statutes 2010, section 275.025, subdivision 4, is amended to read:

**Subd. 4. Apportionment and levy of state general tax.** ~~Ninety-five percent of~~ The state general tax on commercial-industrial property must be levied by applying a uniform rate to all commercial-industrial tax capacity ~~and five percent of in the state.~~ The state general tax rate on seasonal residential recreational property must be ~~levied by applying~~ determined based on a uniform rate applied to all seasonal residential recreational tax capacity in the state, provided, however, that the tax will be levied on all seasonal residential recreational tax capacity except for any tax capacity attributable to market value in excess of \$1,000,000 for any parcel of noncommercial seasonal recreational property. The state general tax on high-valued homes must be levied by applying a uniform rate to all high-valued home tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be used in spreading taxes.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 4. Minnesota Statutes 2010, 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.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through March 18, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

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

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

(7) "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.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death. 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 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.

(10) "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.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 297F.03, subdivision 5, is amended to read:

Subd. 5. **License fees; cigarettes.** Each application for a cigarette distributor's license must be accompanied by a fee of \$300. Each application for a cigarette subjobber's license must be accompanied by a fee of ~~\$24~~ \$150. A distributor or subjobber applying for a license during the second year of a two-year licensing period is required to pay only one-half of the license fee.

**EFFECTIVE DATE.** This section is effective for license applications and renewals made after June 30, 2011.

Sec. 6. Minnesota Statutes 2010, section 297F.03, subdivision 6, is amended to read:

Subd. 6. **License fees; tobacco products.** Each application for a tobacco products distributor's license must be accompanied by a fee of ~~\$75~~ \$300. Each application for a tobacco products subjobber's license must be accompanied by a fee of ~~\$20~~ \$150. A distributor or subjobber applying for a license during the second year of a two-year licensing period is required to pay only one-half of the license fee.

**EFFECTIVE DATE.** This section is effective for license applications and renewals made after June 30, 2011.

Sec. 7. Minnesota Statutes 2010, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. **General rate; distilled spirits and wine.** The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	\$ <del>5.03</del> <u>5.07</u> per gallon	\$ <del>1.33</del> <u>1.34</u> per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	\$ <del>.30</del> <u>.34</u> per gallon	\$ <del>.08</del> <u>.09</u> per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	\$ <del>.95</del> <u>.98</u> per gallon	\$ <del>.25</del> <u>.26</u> per liter
(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume	\$ <del>1.82</del> <u>1.85</u> per gallon	\$ <del>.48</del> <u>.49</u> per liter
(e) Wine containing more than 24 percent alcohol by volume	\$ <del>3.52</del> <u>3.56</u> per gallon	\$ <del>.93</del> <u>.94</u> per liter
(f) Natural and artificial sparkling wines containing alcohol	\$ <del>1.82</del> <u>1.85</u> per gallon	\$ <del>.48</del> <u>.49</u> per liter
(g) Cider as defined in section 297G.01, subdivision 3a	\$.15 per gallon	\$.04 per liter
(h) Low-alcohol dairy cocktails	\$.08 per gallon	\$.02 per liter

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

**EFFECTIVE DATE.** This section is effective June 30, 2011.

Sec. 8. Minnesota Statutes 2010, section 297I.05, subdivision 9, is amended to read:

Subd. 9. **Tax on persons, firms, or corporations licensed to procure insurance from unlicensed foreign companies.** (a) A tax is imposed on any person, firm, or corporation licensed under section 60A.19, subdivision 8. The rate of tax is equal to ~~two~~ three percent of gross premiums paid in the year less return premiums received in the year.

(b)(1) Money collected under this subdivision must be paid to a municipality or a fire department relief association if:

(i) the money is attributable to fire, lightning, or sprinkler insurance premiums paid by an owner to insure property; and

(ii) the property is in a municipality that has an organized fire department, a partly paid fire department, or a volunteer fire department.

The money must be paid to the municipality where the insured property is located, or to the municipality's fire department relief association. The money to be paid includes penalties and interest collected because a property owner failed to pay on time the taxes due under this subdivision.

(2) This paragraph does not apply to taxes paid under this subdivision that are attributable to premiums paid on property if:

(i) the property is owned and occupied exclusively as a homestead, and the owner carries insurance on the property; or

(ii) the property is exempt under section 550.37 and the owner carries insurance on the property.

**EFFECTIVE DATE.** This section is effective for premiums paid after June 30, 2011.

Sec. 9. Minnesota Statutes 2010, section 297I.05, subdivision 10, is amended to read:

Subd. 10. **Tax on persons, firms, or corporations procuring insurance from an ineligible company.** (a) A tax is imposed on each insured in this state who procures, causes to be procured, or continues or renews insurance with an ineligible surplus lines insurer or any self-insurer in this state who procures or continues excess of loss, catastrophe, or other insurance upon a subject of insurance resident, located, or to be performed within this state, other than insurance procured pursuant to section 60A.201 or 60A.209, subdivision 1, equal to ~~two~~ three percent of gross premiums less return premiums paid for such insurance.

(b) If the insurance described in paragraph (a) also covers a subject of insurance residing, located, or to be performed outside this state, for the purposes of this subdivision, a proper pro rata portion of the entire premium payable for all of that insurance must be allocated according to the subjects of insurance residing, located, or to be performed in this state.

(c) For the purposes of this subdivision, insurance placed with an ineligible surplus lines insurer is considered to be procured, continued, or renewed in this state if:

(1) it was procured through negotiations occurring in whole or in part within or from outside this state;

(2) it was procured by an application made in whole or in part within or from outside this state; or

(3) premiums for it are paid from within this state directly or indirectly, in whole or in part.

**EFFECTIVE DATE.** This section is effective for premiums paid after June 30, 2011.

Sec. 10. **REPEALER.**

Minnesota Statutes 2010, sections 297F.14, subdivision 4; and 297G.03, subdivision 4, are repealed.

**EFFECTIVE DATE.** This section is effective for reporting periods beginning after June 30, 2011, and to bottles removed from inventory after June 30, 2011."

Delete the title and insert:

"A bill for an act relating to taxation; making policy changes to income, corporate franchise, property, sales and use, liquor, cigarette, tobacco, insurance, and other taxes and tax-related provisions; conforming to certain changes in the Internal Revenue Code; amending Minnesota Statutes 2010, sections 275.025, subdivisions 1, 4, by adding a

subdivision; 289A.02, subdivision 7; 289A.08, subdivision 3; 290.01, subdivisions 7, 19, 19a, 19c, 19d; 290.05, subdivision 1; 290.06, subdivisions 2c, 2d, 22; 290.0671, subdivision 1; 290.0675, subdivision 1; 290.068, subdivisions 1, 2; 290.0922, subdivision 1, by adding a subdivision; 290.17, subdivisions 1, 4; 290.21, subdivision 4; 290.9201, subdivisions 6, 7; 290A.03, subdivision 15; 291.005, subdivision 1; 297A.61, subdivisions 3, 7, 25, 27, by adding subdivisions; 297A.64, subdivision 1; 297A.66, by adding subdivisions; 297A.668, by adding a subdivision; 297A.68, by adding a subdivision; 297A.70, subdivision 6; 297A.94; 297B.03; 297F.03, subdivisions 5, 6; 297G.03, subdivision 1; 297I.05, subdivisions 9, 10; proposing coding for new law in Minnesota Statutes, chapters 116J; 290; repealing Minnesota Statutes 2010, sections 290.01, subdivision 6b; 290.0678; 290.0921, subdivision 7; 290.9201, subdivision 3; 297F.14, subdivision 4; 297G.03, subdivision 4; Minnesota Rules, part 8130.0500, subpart 2."

Signed:

PAT GAROFALO

Garofalo moved that the Minority Report on H. F. No. 451 be substituted for the Majority Report and that the Minority Report be now adopted.

A roll call was requested and properly seconded.

#### CALL OF THE HOUSE

On the motion of Buesgens and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Abeler	Dean	Hansen	Lanning	Mullery	Schomacker
Anderson, B.	Dettmer	Hausman	Leidiger	Murdock	Scott
Anderson, D.	Dill	Hayden	LeMieur	Murphy, E.	Shimanski
Anderson, P.	Dittrich	Hilstrom	Lenczewski	Murphy, M.	Simon
Anderson, S.	Doepke	Hilty	Lesch	Murray	Slawik
Anzelc	Downey	Holberg	Liebling	Myhra	Slocum
Atkins	Drazkowski	Hoppe	Lillie	Nelson	Smith
Barrett	Eken	Hornstein	Loeffler	Nornes	Stensrud
Beard	Erickson	Hortman	Lohmer	Norton	Swedzinski
Benson, J.	Fabian	Hosch	Loon	O'Driscoll	Thissen
Benson, M.	Falk	Howes	Mack	Paymar	Tillberry
Bills	Franson	Huntley	Mahoney	Pelowski	Torkelson
Brynaert	Garofalo	Johnson	Mariani	Peppin	Urdahl
Buesgens	Gauthier	Kahn	Marquart	Persell	Vogel
Carlson	Gottwalt	Kath	Mazorol	Petersen, B.	Wagenius
Champion	Greene	Kelly	McDonald	Peterson, S.	Ward
Clark	Greiling	Kieffer	McElfrack	Poppe	Wardlow
Cornish	Gruenhagen	Kiel	McFarlane	Quam	Westrom
Crawford	Gunther	Kiffmeyer	McNamara	Rukavina	Winkler
Daudt	Hackbarth	Knuth	Melin	Runbeck	Woodard
Davids	Hamilton	Koenen	Moran	Sanders	Spk. Zellers
Davnie	Hancock	Kriesel	Morrow	Scalze	

Dean moved that further proceedings of the roll call be suspended and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

The question recurred on the adoption of the Minority Report on H. F. No. 451 and the roll was called. There were 0 yeas and 131 nays as follows:

Those who voted in the negative were:

Abeler	Dean	Hansen	Lanning	Mullery	Schomacker
Anderson, B.	Dettmer	Hausman	Leidiger	Murdock	Scott
Anderson, D.	Dill	Hayden	LeMieur	Murphy, E.	Shimanski
Anderson, P.	Dittrich	Hilstrom	Lenczewski	Murphy, M.	Simon
Anderson, S.	Doepke	Hilty	Lesch	Murray	Slawik
Anzelc	Downey	Holberg	Liebling	Myhra	Slocum
Atkins	Drazkowski	Hoppe	Lillie	Nelson	Smith
Barrett	Eken	Hornstein	Loeffler	Nornes	Stensrud
Beard	Erickson	Hortman	Lohmer	Norton	Swedzinski
Benson, J.	Fabian	Hosch	Loon	O'Driscoll	Thissen
Benson, M.	Falk	Howes	Mack	Paymar	Tillberry
Bills	Franson	Huntley	Mahoney	Pelowski	Torkelson
Brynaert	Garofalo	Johnson	Mariani	Peppin	Urdahl
Buesgens	Gauthier	Kahn	Marquart	Persell	Vogel
Carlson	Gottwalt	Kath	Mazorol	Petersen, B.	Wagenius
Champion	Greene	Kelly	McDonald	Peterson, S.	Ward
Clark	Greiling	Kieffer	McElfrick	Poppe	Wardlow
Cornish	Gruenhagen	Kiel	McFarlane	Quam	Westrom
Crawford	Gunther	Kiffmeyer	McNamara	Rukavina	Winkler
Daudt	Hackbarth	Knuth	Melin	Runbeck	Woodard
Davids	Hamilton	Koenen	Moran	Sanders	Spk. Zellers
Davnie	Hancock	Kriesel	Morrow	Scalze	

The motion did not prevail and the Minority Report on H. F. No. 451 was not adopted.

The question recurred on the adoption of the Majority Report from the Committee on Taxes relating to H. F. No. 451. The Majority Report on H. F. No. 451 was adopted.

Westrom from the Committee on Civil Law to which was referred:

H. F. No. 501, A bill for an act relating to public sector labor relations; specifying factors that must be considered in interest arbitration; amending Minnesota Statutes 2010, section 179A.16, subdivision 7.

Reported the same back with the following amendments:

Page 1, line 23, delete "and"

Page 2, line 1, delete "city" and insert "public employer"

Page 2, line 2, delete the period and insert "; and"

Page 2, after line 2, insert:

"(3) general increases or external market adjustments voluntarily negotiated by another exclusive representative within the same public employer for the same contract period."

Page 2, delete lines 5 to 7

Page 2, delete line 27 and insert:

"**EFFECTIVE DATE.** This section is effective the day following final enactment, and applies to matters that the commissioner of mediation services certifies for arbitration on and after that date."

With the recommendation that when so amended the bill pass.

The report was adopted.

Peppin from the Committee on Government Operations and Elections to which was referred:

H. F. No. 511, A bill for an act relating to education; removing unneeded educational mandates; amending Minnesota Statutes 2010, sections 13D.02, by adding a subdivision; 120B.023, subdivision 2; 123B.02, subdivision 15; 124D.19, subdivision 3; 125A.07; 126C.44; repealing Minnesota Statutes 2010, section 123B.05.

Reported the same back with the following amendments:

Page 1, delete lines 19 to 23

Page 1, line 24, delete the new language and insert "revise and align the state's academic standards and graduation requirements, consistent with the review cycle established in this subdivision and the requirements of chapter 14, but must not proceed to finally adopt revised and realigned academic standards and graduation requirements in rule without first receiving specific legislative authority to do so."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Education Finance.

The report was adopted.

Cornish from the Committee on Public Safety and Crime Prevention Policy and Finance to which was referred:

H. F. No. 532, A bill for an act relating to public safety; enhancing penalties for certain repeat criminal sexual conduct offenders; amending Minnesota Statutes 2010, section 609.3451, subdivision 3.

Reported the same back with the recommendation that the bill pass and be re-referred to the Committee on Judiciary Policy and Finance.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 576, A bill for an act relating to education finance; extending aid shift; repealing short-term borrowing by modifying payment to districts; amending Minnesota Statutes 2010, section 127A.45, subdivision 2; repealing Minnesota Statutes 2010, section 127A.46.

Reported the same back with the following amendments:

Page 1, delete section 1

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete "extending aid shift;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

Peppin from the Committee on Government Operations and Elections to which was referred:

H. F. No. 613, A bill for an act relating to local government; providing for terms for members of the Red Wing Port Authority; amending Minnesota Statutes 2010, section 469.081, by adding a subdivision.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

## **SECOND READING OF HOUSE BILLS**

H. F. Nos. 110, 299, 501, 576 and 613 were read for the second time.

## **INTRODUCTION AND FIRST READING OF HOUSE BILLS**

The following House Files were introduced:

Downey introduced:

H. F. No. 779, A bill for an act relating to occupational licensure; stating a right to engage in an occupation; specifying conditions for government regulation of occupations; amending Minnesota Statutes 2010, section 214.01; proposing coding for new law as Minnesota Statutes, chapter 213.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Rukavina and Anzelc introduced:

H. F. No. 780, A bill for an act relating to capital investment; appropriating money for reconstruction of the city of Virginia's wastewater treatment facilities; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Rukavina introduced:

H. F. No. 781, A bill for an act relating to the University of Minnesota; limiting the number of former legislators on the Board of Regents; proposing coding for new law in Minnesota Statutes, chapter 137.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Garofalo introduced:

H. F. No. 782, A bill for an act relating to education finance; authorizing the early repayment of maximum effort capital loans; amending Minnesota Statutes 2010, section 126C.69, subdivisions 12, 13.

The bill was read for the first time and referred to the Committee on Education Finance.

Garofalo, Buesgens and Woodard introduced:

H. F. No. 783, A bill for an act relating to education finance; expanding the number of public school pupils covered by the permanent school fund endowment apportionment; amending Minnesota Statutes 2010, sections 123A.55; 127A.33.

The bill was read for the first time and referred to the Committee on Education Finance.

Gunther introduced:

H. F. No. 784, A bill for an act relating to unemployment compensation; modifying definition of suitable employment related to staffing services; modifying payments that delay benefits; modifying penalty relating to offers of suitable employment; amending Minnesota Statutes 2010, sections 268.035, subdivision 23a; 268.085, subdivisions 3, 13c.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Garofalo introduced:

H. F. No. 785, A bill for an act relating to education finance; clarifying the interest payments on the permanent school fund; amending Minnesota Statutes 2010, section 11A.16, subdivision 5.

The bill was read for the first time and referred to the Committee on Education Finance.

Davids, Simon, Urdahl, McFarlane and Nelson introduced:

H. F. No. 786, A bill for an act relating to state government; modifying certain financial statement requirements for charitable organizations; providing consistency in reporting compensation information for federal and state purposes; amending Minnesota Statutes 2010, section 309.53, subdivision 3.

The bill was read for the first time and referred to the Committee on Government Operations and Elections.

Atkins and Hoppe introduced:

H. F. No. 787, A bill for an act relating to alcohol; allowing wine tasting and wine sales at annual festivals; amending Minnesota Statutes 2010, section 340A.418, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Falk introduced:

H. F. No. 788, A bill for an act relating to capital investment; appropriating money for the Ortonville emergency operations center; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Public Safety and Crime Prevention Policy and Finance.

Lanning, Abeler, Gottwalt and Hosch introduced:

H. F. No. 789, A bill for an act relating to public employment; modifying public employee insurance program eligible employers; amending Minnesota Statutes 2010, section 43A.316, subdivision 2.

The bill was read for the first time and referred to the Committee on Government Operations and Elections.

Howes and Davids introduced:

H. F. No. 790, A bill for an act relating to local governments; aids and credits; reducing future aid payments for reductions in vital public safety personnel; proposing coding for new law in Minnesota Statutes, chapter 477A.

The bill was read for the first time and referred to the Committee on Taxes.

Gunther and Torkelson introduced:

H. F. No. 791, A bill for an act relating to education finance; expanding school swimming pool levy to include small school districts; amending Minnesota Statutes 2010, section 126C.455.

The bill was read for the first time and referred to the Committee on Education Finance.

Gunther and Torkelson introduced:

H. F. No. 792, A bill for an act relating to natural resources; appropriating money for the Watline Trail.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Slawik introduced:

H. F. No. 793, A bill for an act relating to capital investment; transferring money appropriated for the Bayport storm sewer project to the city of Oak Park Heights for a pedestrian tunnel; amending Laws 2008, chapter 179, section 22, subdivision 8.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Dauids introduced:

H. F. No. 794, A bill for an act relating to public finance; authorizing the issuance of improvement bonds with certain terms and conditions; modifying definitions; making clarifying, technical, and other changes relating to the issuance of municipal bonds; amending Minnesota Statutes 2010, sections 116J.994, subdivision 2; 216C.435, subdivision 8; 216C.436, subdivisions 7, 8; 373.40, subdivisions 1, 2, 4; 429.101; 474A.02, subdivisions 22b, 23a; 475.521, subdivisions 1, 2, 4; 475.54, subdivision 1; 475.58, subdivision 3b.

The bill was read for the first time and referred to the Committee on Taxes.

Hoppe introduced:

H. F. No. 795, A bill for an act relating to child support; instructing the commissioner to initiate a foreign reciprocal agreement.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Dauids introduced:

H. F. No. 796, A bill for an act relating to human services; requiring segregated accounting under prepaid medical assistance under certain circumstances; amending Minnesota Statutes 2010, section 256B.69, subdivision 9.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Dauids introduced:

H. F. No. 797, A bill for an act relating to insurance; requiring that health plans that include out-of-network coverage permit assignment of benefits; proposing coding for new law in Minnesota Statutes, chapter 62Q.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Dauids introduced:

H. F. No. 798, A bill for an act relating to human services; providing a right for providers to audit financial aspects of health plan company contracts with the prepaid medical assistance program; amending Minnesota Statutes 2010, section 256B.69, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Davids introduced:

H. F. No. 799, A bill for an act relating to human services; requiring use of generally accepted accounting principles in medical assistance reporting; amending Minnesota Statutes 2010, section 256B.69, subdivision 9.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Davids introduced:

H. F. No. 800, A bill for an act relating to human services; specifying applicability of antitrust laws to the prepaid medical assistance program; amending Minnesota Statutes 2010, section 256B.69, subdivision 5k.

The bill was read for the first time and referred to the Committee on Civil Law.

Davids introduced:

H. F. No. 801, A bill for an act relating to human services; specifying applicability of Data Practices Act to data provided to state by managed care vendors; amending Minnesota Statutes 2010, section 256B.69, subdivisions 9a, 9b.

The bill was read for the first time and referred to the Committee on Civil Law.

Davids introduced:

H. F. No. 802, A bill for an act relating to human services; establishing medical loss ratio requirement for prepaid medical assistance program; amending Minnesota Statutes 2010, section 256B.69, subdivision 5i.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

Woodard; Benson, J.; Barrett; Slocum; Kieffer and Petersen, B., introduced:

H. F. No. 803, A bill for an act relating to education; creating the MNovate commission; proposing coding for new law in Minnesota Statutes, chapter 127A.

The bill was read for the first time and referred to the Committee on Education Reform.

Kiffmeyer, Gottwalt, Beard, Kiel and Anderson, P., introduced:

H. F. No. 804, A bill for an act relating to health; creating the piggy bank health plan to provide comprehensive, sustainable coverage for children up to age 26; proposing coding for new law in Minnesota Statutes, chapter 62A.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Anderson, P., and Westrom introduced:

H. F. No. 805, A bill for an act relating to energy; requiring filing of certain information in power purchase agreements with Public Utilities Commission; requiring utilities to offer customers option to request energy from local wind projects; requiring certain utilities to purchase energy from small wind projects; amending Minnesota Statutes 2010, sections 216B.05, subdivision 3, by adding a subdivision; 216B.169, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 216B.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Mack, Loeffler, Lohmer, Kriesel, Abeler and Benson, M., introduced:

H. F. No. 806, A bill for an act relating to human services; streamlining county duties; amending Minnesota Statutes 2010, sections 119B.09, by adding a subdivision; 256B.69, by adding a subdivision; 256D.09, subdivision 6; 256D.49, subdivision 3; 256J.38, subdivision 1; 393.07, subdivision 10; proposing coding for new law in Minnesota Statutes, chapter 256; repealing Minnesota Rules, part 9500.1243, subpart 3.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

McDonald; Swedzinski; Hancock; Murray; Kriesel; Franson; Vogel; Anderson, B.; Abeler; Leidiger; Cornish; Kiffmeyer and Urdahl introduced:

H. F. No. 807, A bill for an act relating to motor vehicles; modifying provision relating to displaying original license plates on collector vehicles; amending Minnesota Statutes 2010, section 168.10, subdivision 1g.

The bill was read for the first time and referred to the Committee on Transportation Policy and Finance.

Anderson, S.; Beard; Gottwalt; Abeler; Scott and Dill introduced:

H. F. No. 808, A bill for an act relating to drivers' licenses; allowing driver's license applicant to donate \$2 for public information and education on anatomical gifts; appropriating money; amending Minnesota Statutes 2010, section 171.06, subdivision 2.

The bill was read for the first time and referred to the Committee on Transportation Policy and Finance.

Anderson, S.; Hoppe; Gottwalt; Gunther; Sanders; Zellers and Murdock introduced:

H. F. No. 809, A bill for an act relating to employment; providing notice of sharing of gratuities and authorizing employers to safeguard and disburse shared gratuities; amending Minnesota Statutes 2010, section 177.24, subdivision 3.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Westrom; Drazkowski; Anderson, P.; Franson; Lohmer and Gunther introduced:

H. F. No. 810, A bill for an act relating to public safety; requiring the governor and commissioner of corrections to send foreign inmates back to their own country; amending Minnesota Statutes 2010, section 243.515.

The bill was read for the first time and referred to the Committee on Public Safety and Crime Prevention Policy and Finance.

Kelly and Drazkowski introduced:

H. F. No. 811, A bill for an act relating to energy; establishing setbacks for certain wind projects; amending Minnesota Statutes 2010, section 216F.08.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Kelly and Drazkowski introduced:

H. F. No. 812, A bill for an act relating to energy; amending definition of community-based energy development project; amending Minnesota Statutes 2010, section 216B.1612, subdivision 2.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Anzelc introduced:

H. F. No. 813, A bill for an act relating to state lands; authorizing private sale of certain tax-forfeited land in Itasca County.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Anzelc introduced:

H. F. No. 814, A bill for an act relating to state lands; authorizing sale of certain tax-forfeited land bordering public waters in Itasca County.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Melin, Rukavina and Anzelc introduced:

H. F. No. 815, A bill for an act relating to capital improvements; appropriating money for a grant to the city of Chisholm for sanitary sewer and related infrastructure improvements; authorizing the sale of state bonds.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Slocum and Davnie introduced:

H. F. No. 816, A bill for an act relating to arts and cultural heritage; appropriating money for the Air National Guard Museum.

The bill was read for the first time and referred to the Legacy Funding Division.

Rukavina, Anzelc and Dill introduced:

H. F. No. 817, A bill for an act relating to natural resources; modifying distribution of minerals management account; amending Minnesota Statutes 2010, section 93.2236.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Dill introduced:

H. F. No. 818, A bill for an act relating to capital investment; appropriating money for the Two Harbors Marina; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Dill introduced:

H. F. No. 819, A bill for an act relating to capital investment; appropriating money for expansion of a campground in the city of Two Harbors; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Davids introduced:

H. F. No. 820, A bill for an act relating to taxation; individual income; directing commissioner to negotiate a reciprocity agreement with state of Wisconsin and permitting its termination only by law; amending Minnesota Statutes 2010, section 290.081.

The bill was read for the first time and referred to the Committee on Taxes.

Nornes introduced:

H. F. No. 821, A bill for an act relating to higher education; changing eligibility for the senior citizen higher education program; amending Minnesota Statutes 2010, section 135A.51, subdivision 2.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Davnie and Mariani introduced:

H. F. No. 822, A bill for an act relating to education finance; removing five-year limit on service for limited English proficiency funding; amending Minnesota Statutes 2010, section 124D.59, subdivision 2.

The bill was read for the first time and referred to the Committee on Education Reform.

Sanders and Atkins introduced:

H. F. No. 823, A bill for an act relating to financial institutions; repealing an administrative rule restricting the capitalization of permanent improvements to other real estate owned by a bank; repealing Minnesota Rules, part 2675.2170, item F.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Hackbarth; McNamara; Wagenius; Scalze; Abeler; Benson, J.; Johnson; Hornstein; McFarlane; Loeffler; Winkler; Simon and Nelson introduced:

H. F. No. 824, A bill for an act relating to appropriations; appropriating money for operation and maintenance of metropolitan regional parks.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Marquart introduced:

H. F. No. 825, A bill for an act relating to local sales and use taxes; prohibiting local governments from expending resource to promote a local sales tax; amending Minnesota Statutes 2010, section 297A.99, subdivision 1.

The bill was read for the first time and referred to the Committee on Taxes.

Gunther, Schomacker, Hamilton, Vogel, Torkelson and Davids introduced:

H. F. No. 826, A bill for an act relating to capital investment; appropriating money for the greater Minnesota business development public infrastructure grant program; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Hamilton introduced:

H. F. No. 827, A bill for an act relating to human services; placing a sunset on the nursing facility equal rates provision; amending Minnesota Statutes 2010, section 256B.48, subdivision 1.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

Hamilton introduced:

H. F. No. 828, A bill for an act relating to human services; modifying nursing home rate equalization; amending Minnesota Statutes 2010, section 256B.48, subdivision 1.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

Vogel, Torkelson, Banaian, Franson and Quam introduced:

H. F. No. 829, A bill for an act relating to liquor; authorizing cities to issue license for a stadium or ballpark for the purposes of summer collegiate league baseball games; amending Minnesota Statutes 2010, section 340A.404, subdivision 1.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Howes, Lanning, Hausman, Urdahl and Nornes introduced:

H. F. No. 830, A bill for an act relating to capital investment; appropriating money for the wastewater infrastructure funding program; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Lenczewski introduced:

H. F. No. 831, A bill for an act relating to gambling; prohibiting location of a state-operated or state-licensed gambling facility in a city unless the voters of the city have approved the facility in a referendum.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Lenczewski introduced:

H. F. No. 832, A bill for an act relating to taxation; tax increment financing; prohibiting the inclusion of a district or the use of increment to assist certain gaming facilities, as defined under federal law; amending Minnesota Statutes 2010, section 469.176, subdivisions 4l, 7.

The bill was read for the first time and referred to the Committee on Taxes.

Abeler introduced:

H. F. No. 833, A bill for an act relating to health care; limiting increases to capitation rates for managed care plans and county-based purchasing plans.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

Hoppe; Anderson, S.; Winkler; Norton and Mack introduced:

H. F. No. 834, A bill for an act relating to insurance; making changes in the public employee insurance program administrated by Minnesota Management and Budget for local government employees; requiring that the program pay certain taxes and assessments on the same basis as private sector health insurers; amending Minnesota Statutes 2010, sections 43A.316, subdivisions 9, 10; 62E.02, subdivision 23; 62E.10, subdivision 1; 297I.05, subdivision 12; repealing Minnesota Statutes 2010, section 297I.15, subdivision 3.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Hamilton introduced:

H. F. No. 835, A bill for an act relating to human services; adjusting medical assistance operating payment rates for low-payment rate nursing facilities; appropriating money; amending Minnesota Statutes 2010, section 256B.434, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

O'Driscoll; Dettmer; Sanders; Anderson, B.; Gottwalt; Persell; Anzelc; Shimanski and Lohmer introduced:

H. F. No. 836, A bill for an act relating to game and fish; expanding game and fish lottery and drawing preferences for service members; amending Minnesota Statutes 2010, section 97A.465, subdivision 5.

The bill was read for the first time and referred to the Veterans Services Division.

Sanders; Hoppe; Anderson, S.; Loon; Murdock; Downey; Stensrud and Crawford introduced:

H. F. No. 837, A bill for an act relating to air admittance valves; modifying building code requirements to create jobs through innovative technology; repealing Minnesota Statutes 2010, section 326B.43, subdivision 6.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Gunther, Clark and Mullery introduced:

H. F. No. 838, A bill for an act relating to employment and economic development; appropriating money for opportunities industrialization centers.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Hilty introduced:

H. F. No. 839, A bill for an act relating to state lands; authorizing private sale of tax-forfeited land.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Dettmer introduced:

H. F. No. 840, A bill for an act relating to state lands; authorizing private sales of certain tax-forfeited land.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Buesgens; Erickson; Gruenhagen; Drazkowski; Lohmer; Shimanski; Wardlow; Anderson, B., and Hackbarth introduced:

H. F. No. 841, A bill for an act relating to taxation; reducing the state general tax; reducing and repealing the corporate franchise tax; providing a subtraction for certain business income; expanding the application of and allowing the capital equipment exemption at the time of purchase; amending Minnesota Statutes 2010, sections 275.025, subdivision 1; 290.01, subdivision 19b; 290.06, subdivision 1; 290.0921, subdivision 1; 297A.68, subdivision 5; 297A.75, subdivisions 1, 2, 3.

The bill was read for the first time and referred to the Committee on Taxes.

Mack, McNamara, Hausman, Atkins, Howes and Hansen introduced:

H. F. No. 842, A bill for an act relating to capital investment; appropriating money for asset preservation at the Minnesota Zoo; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Buesgens, Barrett, Runbeck and Gunther introduced:

H. F. No. 843, A bill for an act relating to metropolitan government; suspending construction of the Central Corridor Light Rail; requiring supplemental environmental impact statement; providing a deadline for federal funding; proposing coding for new law in Minnesota Statutes, chapter 473.

The bill was read for the first time and referred to the Committee on Transportation Policy and Finance.

McFarlane, Gunther and Mahoney introduced:

H. F. No. 844, A bill for an act relating to workforce development; providing for a public library representative to the Governor's Workforce Development Council; amending Minnesota Statutes 2010, section 116L.665, subdivision 2.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Nelson introduced:

H. F. No. 845, A bill for an act relating to capital investment; appropriating money for higher education asset preservation and replacement and North Hennepin Community College; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Anderson, D.; Lanning; McDonald; Slawik; Hosch; Hayden; Clark; Liebling; Huntley and Gottwalt introduced:

H. F. No. 846, A bill for an act relating to human services; appropriating money for emergency services grants and transitional housing.

The bill was read for the first time and referred to the Committee on Health and Human Services Finance.

Kriesel, Kiffmeyer, Atkins, Howes and Murphy, E., introduced:

H. F. No. 847, A bill for an act relating to insurance; requiring coverage for orthotic and prosthetic devices; proposing coding for new law in Minnesota Statutes, chapter 62Q.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Clark, Gunther and Mullery introduced:

H. F. No. 848, A bill for an act relating to employment and economic development; appropriating money for a grant to the Neighborhood Development Center.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Nornes introduced:

H. F. No. 849, A bill for an act relating to higher education; eliminating mandates for colleges and universities; amending Minnesota Statutes 2010, section 135A.145, subdivision 1; repealing Minnesota Statutes 2010, sections 135A.157; 135A.26; 181.986.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Beard, Hilty, McNamara, Scott, Hackbarth and Knuth introduced:

H. F. No. 850, A bill for an act relating to utilities; clarifying authority of Public Utilities Commission to approve multiyear rate plan that meets specified criteria; consolidating multiple rate riders into single large energy project; amending Minnesota Statutes 2010, sections 216B.16, subdivisions 6b, 7, 7d, by adding a subdivision; 216B.241, subdivisions 1, 1c; proposing coding for new law in Minnesota Statutes, chapter 216B; repealing Minnesota Statutes 2010, sections 216B.16, subdivision 7b; 216B.1636; 216B.1637; 216B.1645, subdivisions 2, 2a.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Runbeck introduced:

H. F. No. 851, A bill for an act relating to taxation; individual income; providing an exemption for certain deferred wages; amending Minnesota Statutes 2010, section 290.17, subdivision 2.

The bill was read for the first time and referred to the Committee on Taxes.

Hornstein introduced:

H. F. No. 852, A bill for an act relating to local government; changing the city of Minneapolis and the Minneapolis Park and Recreation Board joint dedication fee; amending Laws 2006, chapter 269, section 2, as amended.

The bill was read for the first time and referred to the Committee on Government Operations and Elections.

Cornish, Smith, Gauthier, Kelly and Kiel introduced:

H. F. No. 853, A bill for an act relating to public safety; appropriating money for the toll-free hotline for human trafficking victims.

The bill was read for the first time and referred to the Committee on Public Safety and Crime Prevention Policy and Finance.

Cornish, Smith, Gauthier, Kieffer, Kelly and Kiel introduced:

H. F. No. 854, A bill for an act relating to public safety; authorizing a legal advocacy trafficking victims grant; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 299A.

The bill was read for the first time and referred to the Committee on Public Safety and Crime Prevention Policy and Finance.

Swedzinski, Cornish, Hamilton, Schomacker and Torkelson introduced:

H. F. No. 855, A bill for an act relating to capital investment; appropriating money for floodwater retention systems in Area II of the Minnesota River Basin; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Swedzinski, Drazkowski, Vogel, Barrett, Scott, Schomacker and Shimanski introduced:

H. F. No. 856, A bill for an act relating to higher education; temporary freezing and permanent limiting of tuition increases at public higher education institutions; proposing coding for new law in Minnesota Statutes, chapters 136F; 137.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Mahoney, Gunther, Norton, Davids, Howes, Quam, Beard, McFarlane, Nornes and Banaian introduced:

H. F. No. 857, A bill for an act relating to capital investment; appropriating money for a physics and nanotechnology building on the Twin Cities campus of the University of Minnesota; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Cornish introduced:

H. F. No. 858, A bill for an act relating to corrections; requiring commissioner to fund certain county sentence to service programs.

The bill was read for the first time and referred to the Committee on Public Safety and Crime Prevention Policy and Finance.

Atkins, Hoppe, Davids, Johnson, Stensrud, Slocum and Murdock introduced:

H. F. No. 859, A bill for an act relating to insurance; prohibiting motor vehicle insurance companies from restricting an insured's choice of rental vehicle company as a source of a temporary replacement vehicle; requiring that insurers inform insureds of that right; amending Minnesota Statutes 2010, section 72A.201, subdivision 6; proposing coding for new law in Minnesota Statutes, chapter 65B.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Hamilton introduced:

H. F. No. 860, A bill for an act relating to taxation; income; providing beginning farmer program tax credits; amending Minnesota Statutes 2010, section 290.06, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 41B.

The bill was read for the first time and referred to the Committee on Agriculture and Rural Development Policy and Finance.

Runbeck and Dettmer introduced:

H. F. No. 861, A bill for an act relating to the city of Lino Lakes; allowing extension of a tax increment financing district.

The bill was read for the first time and referred to the Committee on Taxes.

Benson, M.; Quam and Liebling introduced:

H. F. No. 862, A bill for an act relating to higher education; appropriating money for the University of Minnesota and Mayo Foundation Partnership; requiring a report.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Nornes introduced:

H. F. No. 863, A bill for an act relating to capital investment; appropriating money for a grant to Otter Tail County for reconstruction of flood-damaged property; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Transportation Policy and Finance.

Peppin, Kahn, Downey, Sanders and Lanning introduced:

H. F. No. 864, A bill for an act relating to state government; authorizing the commissioner of revenue to enter into a reciprocal agreement with the federal government for collection of unpaid debts; proposing coding for new law in Minnesota Statutes, chapter 16D.

The bill was read for the first time and referred to the Committee on Government Operations and Elections.

Kriesel, Hansen and Atkins introduced:

H. F. No. 865, A bill for an act relating to capital investment; appropriating money for purchase of real property by the city of Newport; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Lohmer; Anderson, B., and O'Driscoll introduced:

H. F. No. 866, A bill for an act relating to veterans; appropriating money for a grant to the Minnesota Assistance Council for Veterans for continued outreach to homeless veterans in Minnesota.

The bill was read for the first time and referred to the Veterans Services Division.

Anderson, B.; Davids and Erickson introduced:

H. F. No. 867, A bill for an act relating to drivers' licenses; modifying and clarifying provisions relating to instruction permits; amending Minnesota Statutes 2010, section 171.05, subdivision 2.

The bill was read for the first time and referred to the Committee on Transportation Policy and Finance.

Shimanski and Smith introduced:

H. F. No. 868, A bill for an act relating to courts; increasing conciliation court civil claim limit; amending Minnesota Statutes 2010, section 491A.01, subdivision 3.

The bill was read for the first time and referred to the Committee on Judiciary Policy and Finance.

Nelson introduced:

H. F. No. 869, A bill for an act relating to taxation; tax increment financing; transit improvement areas; amending Minnesota Statutes 2010, sections 469.174, subdivision 12; 469.176, subdivision 4c; 469.1763, subdivision 2.

The bill was read for the first time and referred to the Committee on Taxes.

Eken introduced:

H. F. No. 870, A bill for an act relating to public safety; modifying certain provisions regarding sale of vehicle subject to impoundment order; authorizing commissioner of public safety to establish variance process; amending Minnesota Statutes 2010, sections 169A.60, subdivision 14; 169A.75.

The bill was read for the first time and referred to the Committee on Public Safety and Crime Prevention Policy and Finance.

Runbeck introduced:

H. F. No. 871, A bill for an act relating to local government; limiting employer contributions toward cost of employee health care benefits; prohibiting employer contributions toward cost of health care benefits for certain former employees, other than for law enforcement and firefighter retirees or employees; amending Minnesota Statutes 2010, sections 179A.03, subdivision 19; 179A.20, subdivision 2a; 471.61, subdivisions 1, 2a, 2b; 471.611.

The bill was read for the first time and referred to the Committee on Government Operations and Elections.

Anderson, P.; Vogel; McFarlane; Norton; Banaian; Brynaert and Kahn introduced:

H. F. No. 872, A bill for an act relating to economic development; appropriating money for African Development Center training and programs.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

Garofalo introduced:

H. F. No. 873, A bill for an act relating to education finance; removing obsolete language; amending Minnesota Statutes 2010, section 126C.10, subdivision 13a.

The bill was read for the first time and referred to the Committee on Education Finance.

Garofalo introduced:

H. F. No. 874, A bill for an act relating to education finance; removing obsolete language; amending Minnesota Statutes 2010, section 126C.10, subdivision 2.

The bill was read for the first time and referred to the Committee on Education Finance.

Brynaert, Morrow, Gunther and Cornish introduced:

H. F. No. 875, A bill for an act relating to arts and cultural heritage; appropriating money for the Children's Museum of Southern Minnesota for new exhibits.

The bill was read for the first time and referred to the Legacy Funding Division.

Smith, Woodard, Shimanski, Johnson, Hilstrom, Gauthier, Howes and Champion introduced:

H. F. No. 876, A bill for an act relating to judiciary; modifying when the court opens hearings in delinquency or extended jurisdiction juvenile proceedings; amending Minnesota Statutes 2010, section 260B.163, subdivision 1.

The bill was read for the first time and referred to the Committee on Judiciary Policy and Finance.

Simon introduced:

H. F. No. 877, A bill for an act relating to taxation; authorizing valuation exclusion for certain improvements to homestead and commercial-industrial property; amending Minnesota Statutes 2010, section 273.11, subdivision 16, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Taxes.

Kriesel, Dettmer and LeMieur introduced:

H. F. No. 878, A bill for an act relating to veterans; designating the Honor and Remember Flag as an official symbol of the state's commitment to military service members who have lost their lives in service to our country; requiring display of the flag on certain days in certain locations; proposing coding for new law in Minnesota Statutes, chapter 197.

The bill was read for the first time and referred to the Veterans Services Division.

Erickson, Garofalo, Woodard, Greiling and Benson, J., introduced:

H. F. No. 879, A bill for an act relating to education; establishing annual evaluations for principals; convening a group of experts and stakeholders to recommend a performance-based system model for these evaluations; amending Minnesota Statutes 2010, sections 123B.143, subdivision 1; 123B.147, subdivision 3.

The bill was read for the first time and referred to the Committee on Education Reform.

#### CALL OF THE HOUSE LIFTED

Dean moved that the call of the House be lifted. The motion prevailed and it was so ordered.

#### MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 40.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

CAL R. LUDEMAN, Secretary of the Senate

#### CONFERENCE COMMITTEE REPORT ON S. F. NO. 40

A bill for an act relating to education; amending teacher licensure provisions; establishing an alternative teacher preparation program and limited-term teacher license; requiring reports; amending Minnesota Statutes 2010, section 122A.16; proposing coding for new law in Minnesota Statutes, chapter 122A; repealing Minnesota Statutes 2010, section 122A.24.

March 1, 2011

The Honorable Michelle L. Fischbach  
President of the Senate

The Honorable Kurt Zellers  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 40 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 40 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2010, section 122A.09, subdivision 4, is amended to read:

Subd. 4. **License and rules.** (a) The board must adopt rules to license public school teachers and interns subject to chapter 14.

(b) The board must adopt rules requiring a person to successfully complete a skills examination in reading, writing, and mathematics as a requirement for initial teacher licensure. Such rules must require college and universities offering a board-approved teacher preparation program to provide remedial assistance to persons who did not achieve a qualifying score on the skills examination, including those for whom English is a second language.

(c) The board must adopt rules to approve teacher preparation programs. The board, upon the request of a postsecondary student preparing for teacher licensure or a licensed graduate of a teacher preparation program, shall assist in resolving a dispute between the person and a postsecondary institution providing a teacher preparation program when the dispute involves an institution's recommendation for licensure affecting the person or the person's credentials. At the board's discretion, assistance may include the application of chapter 14.

(d) The board must provide the leadership and ~~shall~~ adopt rules for the redesign of teacher education programs to implement a research based, results-oriented curriculum that focuses on the skills teachers need in order to be effective. The board shall implement new systems of teacher preparation program evaluation to assure program effectiveness based on proficiency of graduates in demonstrating attainment of program outcomes. Teacher preparation programs including alternative teacher preparation programs under section 122A.245, among other programs, must include a content-specific, board-approved, performance-based assessment that measures teacher candidates in three areas: planning for instruction and assessment; engaging students and supporting learning; and assessing student learning.

(e) The board must adopt rules requiring candidates for initial licenses to successfully complete an examination of general pedagogical knowledge and examinations of licensure-specific teaching skills. The rules shall be effective by September 1, 2001. The rules under this paragraph also must require candidates for initial licenses to teach prekindergarten or elementary students to successfully complete, as part of the examination of licensure-specific teaching skills, test items assessing the candidates' knowledge, skill, and ability in comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, and their knowledge and understanding of the foundations of reading development, the development of reading comprehension, and reading assessment and instruction, and their ability to integrate that knowledge and understanding.

(f) The board must adopt rules requiring teacher educators to work directly with elementary or secondary school teachers in elementary or secondary schools to obtain periodic exposure to the elementary or secondary teaching environment.

(g) The board must grant licenses to interns and to candidates for initial licenses.

(h) The board must design and implement an assessment system which requires a candidate for an initial license and first continuing license to demonstrate the abilities necessary to perform selected, representative teaching tasks at appropriate levels.

(i) The board must receive recommendations from local committees as established by the board for the renewal of teaching licenses.

(j) The board must grant life licenses to those who qualify according to requirements established by the board, and suspend or revoke licenses pursuant to sections 122A.20 and 214.10. The board must not establish any expiration date for application for life licenses.

(k) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in the areas of using positive behavior interventions and in accommodating, modifying, and adapting curricula, materials, and strategies to appropriately meet the needs of individual students and ensure adequate progress toward the state's graduation rule.

(l) In adopting rules to license public school teachers who provide health-related services for disabled children, the board shall adopt rules consistent with license or registration requirements of the commissioner of health and the health-related boards who license personnel who perform similar services outside of the school.

(m) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further reading preparation, consistent with section 122A.06, subdivision 4. The rules do not take effect until they are approved by law. Teachers who do not provide direct instruction including, at least, counselors, school psychologists, school nurses, school social workers, audiovisual directors and coordinators, and recreation personnel are exempt from this section.

(n) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in understanding the key warning signs of early-onset mental illness in children and adolescents.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to individuals who complete a teacher preparation program by the end of the 2013-2014 school year or later.

Sec. 2. Minnesota Statutes 2010, section 122A.16, is amended to read:

**122A.16 HIGHLY QUALIFIED TEACHER DEFINED.**

(a) A qualified teacher is one holding a valid license, under this chapter, to perform the particular service for which the teacher is employed in a public school.

(b) For the purposes of the federal No Child Left Behind Act, a highly qualified teacher is one who holds a valid license under this chapter, including under section 122A.245, among other sections, to perform the particular service for which the teacher is employed in a public school or who meets the requirements of a highly objective uniform state standard of evaluation (HOUSSE).

All Minnesota teachers teaching in a core academic subject area, as defined by the federal No Child Left Behind Act, in which they are not fully licensed may complete the following HOUSSE process in the core subject area for which the teacher is requesting highly qualified status by completing an application, in the form and manner described by the commissioner, that includes:

(1) documentation of student achievement as evidenced by norm-referenced test results that are objective and psychometrically valid and reliable;

(2) evidence of local, state, or national activities, recognition, or awards for professional contribution to achievement;

(3) description of teaching experience in the teachers' core subject area in a public school under a waiver, variance, limited license or other exception; nonpublic school; and postsecondary institution;

(4) test results from the Praxis II content test;

(5) evidence of advanced certification from the National Board for Professional Teaching Standards;

(6) evidence of the successful completion of course work or pedagogy courses; and

(7) evidence of the successful completion of high quality professional development activities.

Districts must assign a school administrator to serve as a HOUSSE reviewer to meet with teachers under this paragraph and, where appropriate, certify the teachers' applications. Teachers satisfy the definition of highly qualified when the teachers receive at least 100 of the total number of points used to measure the teachers' content expertise under clauses (1) to (7). Teachers may acquire up to 50 points only in any one clause (1) to (7). Teachers may use the HOUSSE process to satisfy the definition of highly qualified for more than one subject area.

(c) Achievement of the HOUSSE criteria is not equivalent to a license. A teacher must obtain permission from the Board of Teaching in order to teach in a public school.

Sec. 3. Minnesota Statutes 2010, section 122A.23, subdivision 1, is amended to read:

Subdivision 1. **Preparation equivalency.** When a license to teach is authorized to be issued to any holder of a diploma or a degree of a Minnesota state university, or of the University of Minnesota, or of a liberal arts university, or a technical training institution, such license may also, in the discretion of the Board of Teaching or the commissioner of education, whichever has jurisdiction, be issued to any holder of a diploma or a degree of a teacher training institution of equivalent rank and standing of any other state. The diploma or degree must be granted by virtue of ~~the completion of~~ completing a course in teacher preparation essentially equivalent in content to that required by such Minnesota state university or the University of Minnesota or a liberal arts university in Minnesota or a technical training institution as preliminary to the granting of a diploma or a degree of the same rank and class. For purposes of granting a Minnesota teaching license to a person who receives a diploma or degree from a state-accredited, out-of-state teacher training program leading to licensure, the Board of Teaching must establish criteria and streamlined procedures to recognize the experience and professional credentials of the person holding the out-of-state diploma or degree and allow that person to demonstrate to the board the person's qualifications for receiving a Minnesota teaching license based on performance measures the board adopts under this section.

Sec. 4. **[122A.245] ALTERNATIVE TEACHER PREPARATION PROGRAM AND LIMITED-TERM TEACHER LICENSE.**

Subdivision 1. **Requirements.** (a) To improve academic excellence, improve ethnic and cultural diversity in the classroom, and close the academic achievement gap, the Board of Teaching must approve qualified teacher preparation programs under this section that are a means to acquire a two-year limited-term license, which the board may renew one time for an additional one-year term, and to prepare for acquiring a standard license. The following entities are eligible to participate under this section:

(1) a school district or charter school that forms a partnership with a college or university that has a board-approved alternative teacher preparation program; or

(2) a school district or charter school, after consulting with a college or university with a board-approved teacher preparation program, forms a partnership with a nonprofit corporation organized under chapter 317A for an education-related purpose that has a board-approved teacher preparation program.

(b) Before participating in this program, a candidate must:

(1) have a bachelor's degree with a 3.0 or higher grade point average unless the board waives the grade point average requirement based on board-adopted criteria;

(2) pass the reading, writing, and mathematics skills examination under section 122A.09, subdivision 4, paragraph (b); and

(3) obtain qualifying scores on applicable board-approved rigorous content area and pedagogy examinations under section 122A.09, subdivision 4, paragraph (e).

(c) The Board of Teaching must issue a two-year limited-term license to a person who enrolls in an alternative teacher preparation program.

Subd. 2. Characteristics. An alternative teacher preparation program under this section must include:

(1) a minimum 200-hour instructional phase that provides intensive preparation and student teaching before the teacher candidate assumes classroom responsibilities;

(2) a research-based and results-oriented approach focused on best teaching practices to increase student proficiency and growth measured against state academic standards;

(3) strategies to combine pedagogy and best teaching practices to better inform teacher candidates' classroom instruction;

(4) assessment, supervision, and evaluation of teacher candidates to determine their specific needs throughout the program and to support their efforts to successfully complete the program;

(5) intensive, ongoing, and multiyear professional learning opportunities that accelerate teacher candidates' professional growth, support student learning, and provide a workplace orientation, professional staff development, and mentoring and peer review focused on standards of professional practice and continuous professional growth; and

(6) a requirement that teacher candidates demonstrate to the local site team under subdivision 5 satisfactory progress toward acquiring a standard license from the Board of Teaching.

**Subd. 3. Program approval; disapproval.** (a) The Board of Teaching must approve alternative teacher preparation programs under this section based on board-adopted criteria that reflect best practices for alternative teacher preparation programs, consistent with this section. The board must permit teacher candidates to demonstrate mastery of pedagogy and content standards in school-based settings and through other nontraditional means.

(b) If the Board of Teaching determines that a teacher preparation program under this section does not meet the requirements of this section, it may revoke its approval of the program after it notifies the program provider of any deficiencies and gives the program provider an opportunity to remedy the deficiencies.

**Subd. 4. Employment conditions.** Where applicable, teacher candidates with a limited-term license under this section are members of the local employee organization representing teachers and subject to the terms of the local collective bargaining agreement between the exclusive representative of the teachers and the school board. A collective bargaining agreement between a school board and the exclusive representative of the teachers must not prevent or restrict or otherwise interfere with a school district's ability to employ a teacher prepared under this section.

**Subd. 5. Approval for standard license.** A school board or its designee must appoint members to a local site team that includes teachers, school administrators, and postsecondary faculty under subdivision 1, paragraph (a), clause (1), or staff of a participating nonprofit corporation under subdivision 1, paragraph (a), clause (2), to evaluate the performance of the teacher candidate. The evaluation must be consistent with board-adopted performance measures, use the Minnesota state standards of effective practice and subject matter content standards for teachers established in Minnesota Rules, and include a report to the board recommending whether or not to issue the teacher candidate a standard license.

**Subd. 6. Applicants trained in other states.** A person who successfully completes another state's alternative teacher preparation program, consistent with section 122A.23, subdivision 1, may apply to the Board of Teaching for a standard license under subdivision 7.

**Subd. 7. Standard license.** The Board of Teaching must issue a standard license to an otherwise qualified teacher candidate under this section who successfully performs throughout a program under this section, successfully completes all required skills, pedagogy, and content area examinations under section 122A.09, subdivision 4, paragraphs (a) and (e), and is recommended for licensure under subdivision 5 or successfully demonstrates to the board qualifications for licensure under subdivision 6.

Subd. 8. **Highly qualified teacher.** A person holding a valid limited-term license under this section is a highly qualified teacher and the teacher of record under section 122A.16.

Subd. 9. **Exchange of best practices.** By July 31 in an even-numbered year, a program participant and the Minnesota State Colleges and Universities, the University of Minnesota, the Minnesota Private College Council, and the Department of Education must exchange information about best practices and educational innovations.

Subd. 10. **Reports.** The Board of Teaching must submit an interim report on the efficacy of this program to the policy and finance committees of the legislature with jurisdiction over kindergarten through grade 12 education by February 15, 2013, and a final report by February 15, 2015.

**EFFECTIVE DATE.** This section is effective for the 2011-2012 school year and later.

Sec. 5. **REPEALER.**

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

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

Delete the title and insert:

"A bill for an act relating to education; amending teacher licensure provisions; establishing an alternative teacher preparation program and limited-term teacher license; requiring reports; amending Minnesota Statutes 2010, sections 122A.09, subdivision 4; 122A.16; 122A.23, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 122A; repealing Minnesota Statutes 2010, section 122A.24."

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

Senate Conferees: GEN OLSON, CARLA J. NELSON and TERRI E. BONOFF.

House Conferees: PAT GAROFALO, SONDR A ERICKSON and CARLOS MARIANI.

Garofalo moved that the report of the Conference Committee on S. F. No. 40 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 40, A bill for an act relating to education; amending teacher licensure provisions; establishing an alternative teacher preparation program and limited-term teacher license; requiring reports; amending Minnesota Statutes 2010, section 122A.16; proposing coding for new law in Minnesota Statutes, chapter 122A; repealing Minnesota Statutes 2010, section 122A.24.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 81 yeas and 50 nays as follows:

Those who voted in the affirmative were:

Abeler	Anderson, P.	Beard	Bills	Clark	Davnie
Anderson, B.	Anderson, S.	Benson, J.	Buesgens	Crawford	Dean
Anderson, D.	Barrett	Benson, M.	Champion	Daudt	Dettmer

Dittrich	Hackbarth	Kriesel	McElfatrick	Petersen, B.	Stensrud
Doepke	Hamilton	Lanning	McFarlane	Quam	Swedzinski
Downey	Hancock	Leidiger	McNamara	Runbeck	Torkelson
Drazkowski	Hayden	LeMieur	Moran	Sanders	Vogel
Erickson	Holberg	Lenczewski	Mullery	Scalze	Wardlow
Fabian	Hoppe	Lohmer	Murdock	Schomacker	Westrom
Franson	Howes	Loon	Murray	Scott	Woodard
Garofalo	Kelly	Mack	Myhra	Shimanski	Spk. Zellers
Gottwalt	Kieffer	Mariani	Nornes	Simon	
Gruenhagen	Kiel	Mazorol	O'Driscoll	Slocum	
Gunther	Kiffmeyer	McDonald	Peppin	Smith	

Those who voted in the negative were:

Anzelc	Gauthier	Hosch	Lillie	Norton	Tillberry
Atkins	Greene	Huntley	Loeffler	Paymar	Urdahl
Brynaert	Greiling	Johnson	Mahoney	Pelowski	Wagenius
Carlson	Hansen	Kahn	Marquart	Persell	Ward
Cornish	Hausman	Kath	Melin	Peterson, S.	Winkler
Davids	Hilstrom	Knuth	Morrow	Poppe	
Dill	Hilty	Koenen	Murphy, E.	Rukavina	
Eken	Hornstein	Lesch	Murphy, M.	Slawik	
Falk	Hortman	Liebling	Nelson	Thissen	

The bill was repassed, as amended by Conference, and its title agreed to.

#### REPORT FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Dean from the Committee on Rules and Legislative Administration, pursuant to rule 1.21, designated the following bills to be placed on the Calendar for the Day for Thursday, March 3, 2011:

H. F. Nos. 258, 206, 235, 305 and 362.

The Speaker called Davids to the Chair.

#### CALENDAR FOR THE DAY

H. F. No. 235, A bill for an act relating to human services; enacting Hannah's Law by modifying cardiopulmonary resuscitation requirements for child care center staff; amending Minnesota Statutes 2010, section 245A.40, subdivision 4.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dean	Hansen	Lanning	Mullery	Schomacker
Anderson, B.	Dettmer	Hausman	Leidiger	Murdock	Scott
Anderson, D.	Dill	Hayden	LeMieur	Murphy, E.	Shimanski
Anderson, P.	Dittrich	Hilstrom	Lenczewski	Murphy, M.	Simon
Anderson, S.	Doepke	Hilty	Lesch	Murray	Slawik
Anzelc	Downey	Holberg	Liebling	Myhra	Slocum
Atkins	Drazkowski	Hoppe	Lillie	Nelson	Smith
Barrett	Eken	Hornstein	Loeffler	Nornes	Stensrud
Beard	Erickson	Hortman	Lohmer	Norton	Swedzinski
Benson, J.	Fabian	Hosch	Loon	O'Driscoll	Thissen
Benson, M.	Falk	Howes	Mack	Paymar	Tillberry
Bills	Franson	Huntley	Mahoney	Pelowski	Torkelson
Brynaert	Garofalo	Johnson	Mariani	Peppin	Urdahl
Buesgens	Gauthier	Kahn	Marquart	Persell	Vogel
Carlson	Gottwalt	Kath	Mazorol	Petersen, B.	Wagenius
Champion	Greene	Kelly	McDonald	Peterson, S.	Ward
Clark	Greiling	Kieffer	McElfratrick	Poppe	Wardlow
Cornish	Gruenhagen	Kiel	McFarlane	Quam	Westrom
Crawford	Gunther	Kiffmeyer	McNamara	Rukavina	Winkler
Daudt	Hackbarth	Knuth	Melin	Runbeck	Woodard
Davids	Hamilton	Koenen	Moran	Sanders	Spk. Zellers
Davnie	Hancock	Kriesel	Morrow	Scalze	

The bill was passed and its title agreed to.

H. F. No. 203, A bill for an act relating to regulatory reform; providing that certain rules take effect only upon legislative approval; amending Minnesota Statutes 2010, section 14.19; proposing coding for new law in Minnesota Statutes, chapter 14; repealing Minnesota Statutes 2010, section 14.127.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 77 yeas and 54 nays as follows:

Those who voted in the affirmative were:

Abeler	Davids	Gunther	Lanning	Murdock	Scott
Anderson, B.	Dean	Hackbarth	Leidiger	Murray	Shimanski
Anderson, D.	Dettmer	Hamilton	LeMieur	Myhra	Smith
Anderson, P.	Doepke	Hancock	Lenczewski	Nornes	Stensrud
Anderson, S.	Downey	Holberg	Lohmer	O'Driscoll	Swedzinski
Barrett	Drazkowski	Hoppe	Loon	Pelowski	Torkelson
Beard	Eken	Hosch	Mack	Peppin	Urdahl
Benson, M.	Erickson	Howes	Marquart	Petersen, B.	Vogel
Bills	Fabian	Kelly	Mazorol	Poppe	Wardlow
Buesgens	Franson	Kieffer	McDonald	Quam	Westrom
Cornish	Garofalo	Kiel	McElfratrick	Runbeck	Woodard
Crawford	Gottwalt	Kiffmeyer	McFarlane	Sanders	Spk. Zellers
Daudt	Gruenhagen	Kriesel	McNamara	Schomacker	

Those who voted in the negative were:

Anzelc	Dittrich	Hilty	Lesch	Mullery	Scalze
Atkins	Falk	Hornstein	Liebling	Murphy, E.	Simon
Benson, J.	Gauthier	Hortman	Lillie	Murphy, M.	Slawik
Brynaert	Greene	Huntley	Loeffler	Nelson	Slocum
Carlson	Greiling	Johnson	Mahoney	Norton	Thissen
Champion	Hansen	Kahn	Mariani	Paymar	Tillberry
Clark	Hausman	Kath	Melin	Persell	Wagenius
Davnie	Hayden	Knuth	Moran	Peterson, S.	Ward
Dill	Hilstrom	Koenen	Morrow	Rukavina	Winkler

The bill was passed and its title agreed to.

The Speaker resumed the Chair.

Abeler was excused for the remainder of today's session.

H. F. No. 88 was reported to the House.

Davnie offered an amendment to H. F. No. 88, the first engrossment.

#### POINT OF ORDER

Dean raised a point of order pursuant to rule 3.21 that the Davnie amendment was not in order. The Speaker ruled the point of order well taken and the Davnie amendment out of order.

Davnie appealed the decision of the Speaker.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of the Speaker stand as the judgment of the House?" and the roll was called. There were 70 yeas and 60 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Cornish	Erickson	Hancock	Lanning	McFarlane
Anderson, D.	Crawford	Fabian	Holberg	Leidiger	McNamara
Anderson, P.	Daudt	Franson	Hoppe	LeMieur	Murdock
Anderson, S.	Davids	Garofalo	Howes	Lohmer	Murray
Barrett	Dean	Gottwalt	Kelly	Loon	Myhra
Beard	Dettmer	Gruenhagen	Kieffer	Mack	Nornes
Benson, M.	Doepke	Gunther	Kiel	Mazorol	O'Driscoll
Bills	Downey	Hackbarth	Kiffmeyer	McDonald	Peppin
Buesgens	Drazkowski	Hamilton	Kriesel	McElfatrick	Petersen, B.

Quam	Schomacker	Smith	Torkelson	Wardlow	Spk. Zellers
Runbeck	Scott	Stensrud	Urdahl	Westrom	
Sanders	Shimanski	Swedzinski	Vogel	Woodard	

Those who voted in the negative were:

Anzelc	Falk	Hosch	Loeffler	Norton	Thissen
Atkins	Gauthier	Huntley	Mahoney	Paymar	Tillberry
Benson, J.	Greene	Johnson	Mariani	Pelowski	Wagenius
Brynaert	Greiling	Kahn	Marquart	Persell	Ward
Carlson	Hansen	Kath	Melin	Peterson, S.	Winkler
Champion	Hausman	Knuth	Moran	Poppe	
Clark	Hayden	Koenen	Morrow	Rukavina	
Davnie	Hilstrom	Lenczewski	Mullery	Scalze	
Dill	Hilty	Lesch	Murphy, E.	Simon	
Dittrich	Hornstein	Liebling	Murphy, M.	Slawik	
Eken	Hortman	Lillie	Nelson	Slocum	

So it was the judgment of the House that the decision of the Speaker should stand.

Persell was excused for the remainder of today's session.

H. F. No. 88, A bill for an act relating to education; removing the maintenance of effort and set-aside requirements for school personnel; returning financial decision making to school districts; amending Minnesota Statutes 2010, section 126C.44.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 75 yeas and 54 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Dean	Hackbarth	Leidiger	Myhra	Smith
Anderson, D.	Dettmer	Hamilton	LeMieur	Nornes	Stensrud
Anderson, P.	Dittrich	Hancock	Liebling	Norton	Swedzinski
Anderson, S.	Doepke	Holberg	Lohmer	O'Driscoll	Torkelson
Barrett	Downey	Hoppe	Loon	Peppin	Urdahl
Beard	Drazkowski	Howes	Mack	Petersen, B.	Vogel
Benson, M.	Erickson	Kelly	Mazorol	Quam	Wardlow
Bills	Fabian	Kieffer	McDonald	Runbeck	Westrom
Buesgens	Franson	Kiel	McElfatrick	Sanders	Woodard
Cornish	Garofalo	Kiffmeyer	McFarlane	Scalze	Spk. Zellers
Crawford	Gottwalt	Koenen	McNamara	Schomacker	
Daudt	Gruenhagen	Kriesel	Murdock	Scott	
Davids	Gunther	Lanning	Murray	Shimanski	

Those who voted in the negative were:

Anzelc	Brynaert	Clark	Eken	Greene	Hausman
Atkins	Carlson	Davnie	Falk	Greiling	Hayden
Benson, J.	Champion	Dill	Gauthier	Hansen	Hilstrom

Hilty	Kahn	Loeffler	Morrow	Pelowski	Slocum
Hornstein	Kath	Mahoney	Mullery	Peterson, S.	Thissen
Hortman	Knuth	Mariani	Murphy, E.	Poppe	Tillberry
Hosch	Lenczewski	Marquart	Murphy, M.	Rukavina	Wagenius
Huntley	Lesch	Melin	Nelson	Simon	Ward
Johnson	Lillie	Moran	Paymar	Slawik	Winkler

The bill was passed and its title agreed to.

H. F. No. 258, A bill for an act relating to taxation; revenue recapture; authorizing licensed ambulance services to submit claims directly to the state; amending Minnesota Statutes 2010, sections 270A.03, subdivision 2; 270A.07, subdivision 1.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Dettmer	Hausman	Leidiger	Murdock	Shimanski
Anderson, D.	Dill	Hayden	LeMieur	Murphy, E.	Simon
Anderson, P.	Dittrich	Hilstrom	Lenczewski	Murphy, M.	Slawik
Anderson, S.	Doepke	Hilty	Lesch	Murray	Slocum
Anzelc	Downey	Holberg	Liebling	Myhra	Smith
Atkins	Drazkowski	Hoppe	Lillie	Nelson	Stensrud
Barrett	Eken	Hornstein	Loeffler	Nornes	Swedzinski
Beard	Erickson	Hortman	Lohmer	Norton	Thissen
Benson, J.	Fabian	Hosch	Loon	O'Driscoll	Tillberry
Benson, M.	Falk	Howes	Mack	Paymar	Torkelson
Bills	Franson	Huntley	Mahoney	Pelowski	Urdahl
Brynaert	Garofalo	Johnson	Mariani	Peppin	Vogel
Buesgens	Gauthier	Kahn	Marquart	Petersen, B.	Wagenius
Carlson	Gottwalt	Kath	Mazorol	Peterson, S.	Ward
Champion	Greene	Kelly	McDonald	Poppe	Wardlow
Clark	Greiling	Kieffer	McElfrick	Quam	Westrom
Cornish	Gruenhagen	Kiel	McFarlane	Rukavina	Winkler
Crawford	Gunther	Kiffmeyer	McNamara	Runbeck	Woodard
Daudt	Hackbarth	Knuth	Melin	Sanders	Spk. Zellers
Davids	Hamilton	Koenen	Moran	Scalze	
Davnie	Hancock	Kriesel	Morrow	Schomacker	
Dean	Hansen	Lanning	Mullery	Scott	

The bill was passed and its title agreed to.

Dean moved that the remaining bills on the Calendar for the Day be continued. The motion prevailed.

## MOTIONS AND RESOLUTIONS

Davids moved that the names of Pelowski and Kath be added as authors on H. F. No. 122. The motion prevailed.

Peppin moved that the name of Stensrud be added as an author on H. F. No. 174. The motion prevailed.

Anderson, S., moved that the name of Petersen, B., be added as an author on H. F. No. 255. The motion prevailed.

Quam moved that the name of Bills be added as an author on H. F. No. 299. The motion prevailed.

Peppin moved that the name of Stensrud be added as an author on H. F. No. 303. The motion prevailed.

Smith moved that the names of Lanning and McFarlane be added as authors on H. F. No. 370. The motion prevailed.

Peppin moved that the name of Scott be added as an author on H. F. No. 425. The motion prevailed.

Peppin moved that the name of Scott be added as an author on H. F. No. 426. The motion prevailed.

Anderson, P., moved that the name of Scott be added as an author on H. F. No. 428. The motion prevailed.

Runbeck moved that the name of Pelowski be added as an author on H. F. No. 536. The motion prevailed.

Smith moved that the name of Bills be added as an author on H. F. No. 556. The motion prevailed.

Downey moved that the name of Bills be added as an author on H. F. No. 557. The motion prevailed.

Buesgens moved that the name of Dettmer be added as an author on H. F. No. 589. The motion prevailed.

Anderson, B., moved that the name of Bills be added as an author on H. F. No. 595. The motion prevailed.

Benson, M., moved that the names of Downey and Myhra be added as authors on H. F. No. 633. The motion prevailed.

Hackbarth moved that the name of Dettmer be added as an author on H. F. No. 635. The motion prevailed.

Clark moved that the name of Hayden be added as an author on H. F. No. 647. The motion prevailed.

Clark moved that the name of Hayden be added as an author on H. F. No. 648. The motion prevailed.

Hornstein moved that the name of Hayden be added as an author on H. F. No. 661. The motion prevailed.

Loon moved that the names of Moran and Benson, J., be added as authors on H. F. No. 669. The motion prevailed.

Gunther moved that the name of Kahn be added as an author on H. F. No. 675. The motion prevailed.

Hansen moved that the name of Kahn be added as an author on H. F. No. 684. The motion prevailed.

McFarlane moved that the name of Hayden be added as an author on H. F. No. 693. The motion prevailed.

Hosch moved that the name of Atkins be added as an author on H. F. No. 694. The motion prevailed.

Lesch moved that the names of Davnie, Nelson, Greiling, Champion, Greene, Loeffler, Liebling, Slocum and Johnson be added as authors on H. F. No. 702. The motion prevailed.

Loon moved that the name of Torkelson be added as an author on H. F. No. 703. The motion prevailed.

Erickson moved that her name be stricken as an author on H. F. No. 705. The motion prevailed.

Crawford moved that the name of Lenczewski be added as an author on H. F. No. 705. The motion prevailed.

Champion moved that the name of Hayden be added as an author on H. F. No. 707. The motion prevailed.

Champion moved that the name of Hayden be added as an author on H. F. No. 708. The motion prevailed.

Champion moved that the name of Hayden be added as an author on H. F. No. 709. The motion prevailed.

Champion moved that the name of Hayden be added as an author on H. F. No. 710. The motion prevailed.

Clark moved that the name of Hayden be added as an author on H. F. No. 714. The motion prevailed.

Champion moved that the name of Hayden be added as an author on H. F. No. 718. The motion prevailed.

McFarlane moved that the name of Brynaert be added as an author on H. F. No. 729. The motion prevailed.

Doepke moved that the name of Peterson, S., be added as an author on H. F. No. 731. The motion prevailed.

Winkler moved that the names of Davnie, Champion and Peterson, S., be added as authors on H. F. No. 732. The motion prevailed.

Winkler moved that the names of Davnie, Champion, Brynaert and Peterson, S., be added as authors on H. F. No. 733. The motion prevailed.

Gauthier moved that the name of Ward be added as an author on H. F. No. 735. The motion prevailed.

Loon moved that the names of Davnie, Paymar, Slawik, Lillie and Johnson be added as authors on H. F. No. 743. The motion prevailed.

Mack moved that the names of Slocum, Lohmer and Peterson, S., be added as authors on H. F. No. 745. The motion prevailed.

Mack moved that the names of Scott and Shimanski be added as authors on H. F. No. 746. The motion prevailed.

Mazorol moved that the name of Peterson, S., be added as an author on H. F. No. 747. The motion prevailed.

Mariani moved that the names of Champion, Moran, Slocum and Peterson, S., be added as authors on H. F. No. 751. The motion prevailed.

Mariani moved that the names of Champion, Brynaert, Moran and Peterson, S., be added as authors on H. F. No. 752. The motion prevailed.

Hamilton moved that the names of Pelowski and Shimanski be added as authors on H. F. No. 754. The motion prevailed.

Downey moved that the name of Simon be added as an author on H. F. No. 755. The motion prevailed.

Stensrud moved that the name of Scott be added as an author on H. F. No. 756. The motion prevailed.

Kiel moved that the name of Scott be added as an author on H. F. No. 757. The motion prevailed.

Hortman moved that the names of Davnie, Slocum and Peterson, S., be added as authors on H. F. No. 762. The motion prevailed.

Davnie moved that the names of Paymar, Champion, Brynaert, Slocum and Peterson, S., be added as authors on H. F. No. 765. The motion prevailed.

Bills moved that the name of Mack be added as an author on H. F. No. 769. The motion prevailed.

Persell moved that the name of Ward be added as an author on H. F. No. 775. The motion prevailed.

Hansen moved that the name of Champion be added as an author on H. F. No. 778. The motion prevailed.

Runbeck moved that H. F. No. 501, now on the General Register, be re-referred to the Committee on Taxes. The motion prevailed.

#### ADJOURNMENT

Dean moved that when the House adjourns today it adjourn until 3:00 p.m., Monday, March 7, 2011. The motion prevailed.

Dean moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 3:00 p.m., Monday, March 7, 2011.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives