

## STATE OF MINNESOTA

## EIGHTY-EIGHTH SESSION — 2013

## THIRTY-EIGHTH DAY

SAINT PAUL, MINNESOTA, THURSDAY, APRIL 18, 2013

The House of Representatives convened at 9:00 a.m. and was called to order by Paul Thissen, Speaker of the House.

Prayer was offered by the Reverend Matt Anderson, Calvary Lutheran Church, Golden Valley, 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	Dehn, R.	Hausman	Liebling	Nelson	Schomacker
Albright	Dettmer	Hertaus	Lien	Newberger	Scott
Allen	Dorholz	Hilstrom	Lillie	Newton	Selcer
Anderson, M.	Drazkowski	Holberg	Loeffler	Nornes	Simon
Anderson, P.	Erhardt	Hoppe	Lohmer	Norton	Simonson
Anderson, S.	Erickson, R.	Hornstein	Loon	O'Driscoll	Slocum
Anzelc	Erickson, S.	Hortman	Mack	O'Neill	Sundin
Atkins	Fabian	Howe	Mahoney	Paymar	Swedzinski
Barrett	Falk	Huntley	Mariani	Pelowski	Torkelson
Beard	Faust	Isaacson	Marquart	Peppin	Uglem
Benson, J.	Fischer	Johnson, B.	Masin	Persell	Urdahl
Benson, M.	FitzSimmons	Johnson, C.	McDonald	Petersburg	Wagenius
Bernardy	Franson	Johnson, S.	McNamara	Poppe	Ward, J.A.
Bly	Freiberg	Kahn	McNamara	Pugh	Ward, J.E.
Brynaert	Fritz	Kelly	Melin	Quam	Wills
Carlson	Green	Kieffer	Metsa	Radinovich	Winkler
Clark	Gruenhagen	Kiel	Moran	Rosenthal	Woodard
Cornish	Gunther	Kresha	Morgan	Runbeck	Yarusso
Dautt	Hackbarth	Laine	Mullery	Sanders	Zellers
Davids	Halverson	Leidiger	Murphy, E.	Savick	Zerwas
Davnie	Hamilton	Lenczewski	Murphy, M.	Sawatzky	Spk. Thissen
Dean, M.	Hansen	Lesch	Myhra	Schoen	

A quorum was present.

Dill, Garofalo and Theis 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 CHIEF CLERK**

S. F. No. 541 and H. F. No. 746, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

**SUSPENSION OF RULES**

Atkins moved that the rules be so far suspended that S. F. No. 541 be substituted for H. F. No. 746 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 769 and H. F. No. 1051, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

**SUSPENSION OF RULES**

Rosenthal moved that the rules be so far suspended that S. F. No. 769 be substituted for H. F. No. 1051 and that the House File be indefinitely postponed. The motion prevailed.

**REPORTS OF STANDING COMMITTEES AND DIVISIONS**

Lenczewski from the Committee on Taxes to which was referred:

H. F. No. 677, A bill for an act relating to taxation; providing for tax law modernization and reform; establishing a property tax rebate; reducing state business property tax; establishing a fourth tier income tax; lowering the sales tax rate and broadening the tax base; lowering the corporate franchise tax rate and simplifying the tax by eliminating certain tax preferences; providing for local government aid and county program aid; appropriating money; amending Minnesota Statutes 2012, sections 256.9658, subdivision 3; 270C.03, subdivision 1; 270C.33, subdivision 6; 275.025, subdivisions 1, 4; 289A.08, subdivision 3; 289A.56, subdivision 4; 289A.60, by adding a subdivision; 290.01, subdivisions 7, 19b, 19c, 19d; 290.06, subdivisions 1, 2c, 2d, 22, by adding a subdivision; 290.0921, subdivision 3; 290.095, subdivision 2; 290.17, subdivisions 1, 4; 290.191, subdivision 5; 290.21, subdivision 4; 290A.03, subdivision 13; 297A.61, subdivisions 3, 4, 10, 17a, 25, 27, 31, 38, 45, by adding subdivisions; 297A.62, subdivisions 1, 1a; 297A.64, subdivision 1; 297A.65; 297A.66, by adding a subdivision; 297A.67, subdivisions 7, 8; 297A.68, subdivisions 2, 5; 297A.70, subdivisions 5, 13, 14; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297F.05, subdivisions 1, 3, 4; 297F.25, subdivision 1; 298.01, subdivision 3b; 477A.011, subdivisions 34, 36, by adding subdivisions; 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b; proposing coding for new law in Minnesota Statutes, chapters 270C; 297A; repealing Minnesota Statutes 2012, sections 289A.40, subdivision 6; 290.01, subdivision 6b; 290.0921, subdivision 7; 297A.68, subdivisions 9, 10, 11, 22, 35; 297A.70, subdivisions 10, 11, 12; 297A.96; 477A.011, subdivisions 2a, 27, 29, 31, 32, 33, 39, 40, 41, 42; 477A.0124, subdivision 1; 477A.013, subdivisions 11, 12; 477A.0133; 477A.0134; Minnesota Rules, part 8130.0500, subpart 2.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

**"ARTICLE 1  
ONE-TIME PROVISIONS**

Section 1. Minnesota Statutes 2012, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of management and budget must allocate money to the following accounts and purposes in priority order:

- (1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;
- (2) the budget reserve account established in subdivision 1a until that account reaches \$653,000,000;
- (3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve;
- (4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, by the same amount;
- (5) to reduce the rate of the surcharge in section 290.06, subdivision 2g, for taxable years beginning after December 31, 2013, and before January 1, 2015, to not less than zero with the rate rounded to the nearest tenth of a percent, without exceeding the amount available, and with any remaining funds deposited in the budget reserve; and
- (5) (6) to the state airports fund, the amount necessary to restore the amount transferred from the state airports fund under Laws 2008, chapter 363, article 11, section 3, subdivision 5.
- (b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.
- (c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.
- (d) The commissioner of management and budget shall certify the total dollar amount available under paragraph (a), clause (5), to the commissioner of revenue. The commissioner of revenue shall determine the percentage reduction in the surcharge rate for taxable years beginning after December 31, 2013, and before January 1, 2015, and shall reduce the surcharge rate.

Sec. 2. Minnesota Statutes 2012, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **Levy recognition.** (a) ~~For fiscal years 2009 and 2010, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:~~

- ~~(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or~~
- ~~(2) the sum of:~~
  - ~~(i) 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; and~~
  - ~~(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; plus~~

~~(iii) zero percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).~~

~~(b)~~ (a) For fiscal year 2011 and later years 2011, 2012, and 2013, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) the greater of 48.6 percent of the referendum levy certified according to section 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified according to section 126C.17 in calendar year 2000; plus

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.4531, 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; plus

(iii) 48.6 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).

~~(b) For fiscal year 2014 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:~~

~~(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or~~

~~(2) the sum of:~~

~~(i) 31 percent of the referendum levy certified according to section 126C.17 in calendar year 2000;~~

~~(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.4531; 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1) to (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; and~~

~~(iii) zero percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).~~

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 127A.45, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) "Other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

- (b) "Cumulative amount guaranteed" means the product of
- (1) the cumulative disbursement percentage shown in subdivision 3; times
  - (2) the sum of
    - (i) the current year aid payment percentage of the estimated aid and credit entitlements paid according to subdivision 13; plus
    - (ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus
    - (iii) the other district receipts.

(c) "Payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

(d) The current year aid payment percentage equals ~~73 in fiscal year 2010 and 70 in fiscal year 2011, and 60 90~~ in fiscal years ~~2012~~ 2014 and later.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, 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, minus any addition that would have been required under clause (21) if the taxpayer had claimed the standard deduction. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

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

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

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

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

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

(8) for taxable years beginning before January 1, 2013, 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;

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

(18) changes to federal taxable income attributable to a net operating loss that the taxpayer elected to carry back for more than two years for federal purposes but for which the losses can be carried back for only two years under section 290.095, subdivision 11, paragraph (c);

(19) to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) 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, and reduced by any addition that would have been required under clause (21) if the taxpayer had claimed the standard deduction:

(i) the amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year;

(ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

(iii) the term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(20) to the extent included in federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

(i) the disallowed personal exemption amount is equal to the dollar amount of the personal exemptions claimed by the taxpayer in the computation of federal taxable income multiplied by the applicable percentage;

(ii) "applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent;

(iii) the term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return; and

(iv) the thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

(21) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2013, the difference between the standard deduction allowed under section 63(c) of the Internal Revenue Code and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code as amended through December 1, 2010.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 5. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

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

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

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

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

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

- (5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;
- (6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;
- (7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;
- (8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;
- (9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;
- (10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;
- (11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);
- (12) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;
- (13) the amount of net income excluded under section 114 of the Internal Revenue Code;
- (14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;
- (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;
- (16) for taxable years beginning before January 1, 2013, 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) for taxable years beginning before January 1, 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, 2012.

Sec. 6. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision to read:

Subd. 2g. **Income surcharge.** (a) In addition to the tax computed under subdivision 2c and section 290.091, for taxable years beginning after December 31, 2012, and before January 1, 2015, there is a surcharge imposed on individuals, estates, and trusts. The surcharge equals four percent of taxable net income over a threshold. For married individuals filing separately, estates, and trusts, the threshold is \$250,000. For all other filers, the threshold is \$500,000.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 7. Minnesota Statutes 2012, section 297A.68, subdivision 5, is amended to read:

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

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

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

(1) machinery and equipment used to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;

(4) materials and supplies used to construct and install machinery or equipment;

(5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;

(6) materials used for foundations that support machinery or equipment;

(7) materials used to construct and install special purpose buildings used in the production process;

(8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

(9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

(1) motor vehicles taxed under chapter 297B;

(2) machinery or equipment used to receive or store raw materials;

(3) building materials, except for materials included in paragraph (b), clauses (6) and (7);

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;

(5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;

(7) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;

(8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

(9) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery or equipment used to blend petroleum or biodiesel fuel as defined in section 239.77; or

(10) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled,

processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

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

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

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 8. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

~~(1) capital equipment exempt under section 297A.68, subdivision 5;~~

~~(2) (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;~~

~~(3) (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;~~

~~(4) (3) building materials for correctional facilities under section 297A.71, subdivision 3;~~

~~(5) (4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;~~

~~(6) (5) elevators and building materials exempt under section 297A.71, subdivision 12;~~

~~(7) (6)~~ building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;

~~(8) (7)~~ materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

~~(9) (8)~~ materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

~~(10) (9)~~ equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

~~(11) (10)~~ commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

~~(12) (11)~~ materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

~~(13) (12)~~ materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41;

~~(14) (13)~~ materials, supplies, and equipment for construction, improvement, or expansion of an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42;

~~(15) (14)~~ enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42; and

~~(16) (15)~~ materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 9. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

**Subd. 2. Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

- (1) for subdivision 1, clauses (1) to ~~(3)~~ and ~~(2)~~, the applicant must be the purchaser;
- (2) for subdivision 1, clauses ~~(4) (3)~~ and ~~(7) (6)~~, the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause ~~(5) (4)~~, the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause ~~(6) (5)~~, the applicant must be the owner of the homestead property;
- (5) for subdivision 1, clause ~~(8) (7)~~, the owner of the qualified low-income housing project;
- (6) for subdivision 1, clause ~~(9) (8)~~, the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;
- (7) for subdivision 1, clauses ~~(10) (9), (12), (13), and (14), and (15)~~, the owner of the qualifying business; and

(8) for subdivision 1, clauses (10), (11), (12), and (16) (15), the applicant must be the governmental entity that owns or contracts for the project or facility.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 10. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), or (15), or (16), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 11. **ESTIMATED TAXES; EXCEPTIONS.**

No addition to tax, penalties, or interest may be made under Minnesota Statutes, section 289A.25, for any period before July 1, 2013, with respect to an underpayment of estimated tax, to the extent that the underpayment was created or increased by the surcharge imposed under this article.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 12. **APPROPRIATIONS.**

(a) The amount necessary to increase the aid payment percentage in section 3 to 90 percent, estimated to be \$262,600,000, is appropriated in fiscal year 2014 from the general fund to the commissioner of education.

(b) The amount necessary to reduce the percentage of levy recognized in the prior calendar year in section 2 from 48.6 percent to zero percent, estimated to be \$569,900,000, is appropriated in fiscal year 2014 from the general fund to the commissioner of education.

(c) The amount paid in additional state general education aids and other school aids as a result of reducing the percentage of levy recognized in the prior calendar year in Minnesota Statutes, section 123B.75, subdivision 5, from 48.6 percent to zero percent, estimated to be \$21,700,000, is appropriated in fiscal year 2015 from the general fund to the commissioner of education.

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

**ARTICLE 2**  
**HOMESTEAD CREDIT REFUND AND RENTER PROPERTY TAX REFUND**

Section 1. Minnesota Statutes 2012, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

~~(xiv)~~ (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

~~(xv)~~ (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

~~(xv) (xvi) the amount of deducted for tuition expenses required to be added to income under section 290.01, subdivision 19a, clause (12); under section 222 of the Internal Revenue Code; and~~

~~(xvi) (xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code; and.~~

~~(xvii) unemployment compensation.~~

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include:

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(d) surplus food or other relief in kind supplied by a governmental agency;

~~(e)~~ (e) relief granted under this chapter;

~~(f)~~ (f) child support payments received under a temporary or final decree of dissolution or legal separation; or

~~(g)~~ (g) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(3) The sum of the following amounts may be subtracted from income:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; and "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction.

**EFFECTIVE DATE.** This section is effective beginning with refunds based on property taxes payable in 2014 and rent paid in 2013.

Sec. 2. Minnesota Statutes 2012, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,549	1.0 percent	15 percent	\$2,460
1,550 to 3,089	1.1 percent	15 percent	\$2,460
3,090 to 4,669	1.2 percent	15 percent	\$2,460
4,670 to 6,229	1.3 percent	20 percent	\$2,460
6,230 to 7,769	1.4 percent	20 percent	\$2,460
7,770 to 10,879	1.5 percent	20 percent	\$2,460
10,880 to 12,429	1.6 percent	20 percent	\$2,460
12,430 to 13,989	1.7 percent	20 percent	\$2,460
13,990 to 15,539	1.8 percent	20 percent	\$2,460
15,540 to 17,079	1.9 percent	25 percent	\$2,460
17,080 to 18,659	2.0 percent	25 percent	\$2,460
18,660 to 21,759	2.1 percent	25 percent	\$2,460
21,760 to 23,309	2.2 percent	30 percent	\$2,460
23,310 to 24,859	2.3 percent	30 percent	\$2,460
24,860 to 26,419	2.4 percent	30 percent	\$2,460
26,420 to 32,629	2.5 percent	35 percent	\$2,460
32,630 to 37,279	2.6 percent	35 percent	\$2,460
37,280 to 46,609	2.7 percent	35 percent	\$2,000
46,610 to 54,369	2.8 percent	35 percent	\$2,000
54,370 to 62,139	2.8 percent	40 percent	\$1,750
62,140 to 69,909	3.0 percent	40 percent	\$1,440
69,910 to 77,679	3.0 percent	40 percent	\$1,290
77,680 to 85,449	3.0 percent	40 percent	\$1,130
85,450 to 90,119	3.5 percent	45 percent	\$960
90,120 to 93,239	3.5 percent	45 percent	\$790
93,240 to 97,009	3.5 percent	50 percent	\$650
97,010 to 100,779	3.5 percent	50 percent	\$480
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Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,619	1.0 percent	15 percent	\$2,580
1,620 to 3,229	1.1 percent	15 percent	\$2,580

<u>3,230 to 4,889</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$2,580</u>
<u>4,890 to 6,519</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$2,580</u>
<u>6,520 to 8,129</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$2,580</u>
<u>8,130 to 11,389</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$2,580</u>
<u>11,390 to 13,009</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$2,580</u>
<u>13,010 to 14,649</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$2,580</u>
<u>14,650 to 16,269</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$2,580</u>
<u>16,270 to 17,879</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$2,580</u>
<u>17,880 to 22,779</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$2,580</u>
<u>22,780 to 24,399</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$2,580</u>
<u>24,400 to 27,659</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$2,580</u>
<u>27,660 to 39,029</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$2,580</u>
<u>39,030 to 56,919</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$2,090</u>
<u>56,920 to 65,049</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$1,830</u>
<u>65,050 to 73,189</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$1,510</u>
<u>73,190 to 81,319</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$1,350</u>
<u>81,320 to 89,449</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$1,180</u>
<u>89,450 to 94,339</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$1,000</u>
<u>94,340 to 97,609</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$830</u>
<u>97,610 to 101,559</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$680</u>
<u>101,560 to 105,499</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$500</u>

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$100,780 \$105,500 or more.

**EFFECTIVE DATE.** This section is effective for refund claims based on taxes payable in 2014 and thereafter.

Sec. 3. Minnesota Statutes 2012, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
<u>\$0 to 3,589</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$1,190</u>
<u>3,590 to 4,779</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$1,190</u>
<u>4,780 to 5,969</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$1,190</u>
<u>5,970 to 8,369</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$1,190</u>
<u>8,370 to 10,759</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$1,190</u>
<u>10,760 to 11,949</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$1,190</u>
<u>11,950 to 13,139</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$1,190</u>
<u>13,140 to 15,539</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$1,190</u>
<u>15,540 to 16,729</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$1,190</u>
<u>16,730 to 17,919</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$1,190</u>
<u>17,920 to 20,319</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$1,190</u>
<u>20,320 to 21,509</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$1,190</u>
<u>21,510 to 22,699</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$1,190</u>
<u>22,700 to 23,899</u>	<u>2.2 percent</u>	<u>30 percent</u>	<u>\$1,190</u>

<u>23,900 to 25,089</u>	<u>2.4 percent</u>	<u>30 percent</u>	<u>\$1,190</u>
<u>25,090 to 26,289</u>	<u>2.6 percent</u>	<u>35 percent</u>	<u>\$1,190</u>
<u>26,290 to 27,489</u>	<u>2.7 percent</u>	<u>35 percent</u>	<u>\$1,190</u>
<u>27,490 to 28,679</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$1,190</u>
<u>28,680 to 29,869</u>	<u>2.9 percent</u>	<u>40 percent</u>	<u>\$1,190</u>
<u>29,870 to 31,079</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$1,190</u>
<u>31,080 to 32,269</u>	<u>3.1 percent</u>	<u>40 percent</u>	<u>\$1,190</u>
<u>32,270 to 33,459</u>	<u>3.2 percent</u>	<u>40 percent</u>	<u>\$1,190</u>
<u>33,460 to 34,649</u>	<u>3.3 percent</u>	<u>45 percent</u>	<u>\$1,080</u>
<u>34,650 to 35,849</u>	<u>3.4 percent</u>	<u>45 percent</u>	<u>\$960</u>
<u>35,850 to 37,049</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$830</u>
<u>37,050 to 38,239</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$720</u>
<u>38,240 to 39,439</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$600</u>
<u>38,440 to 40,629</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$360</u>
<u>40,630 to 41,819</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$120</u>
<u>\$0 to 4,909</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$2,000</u>
<u>4,910 to 6,529</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$2,000</u>
<u>6,530 to 8,159</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$1,950</u>
<u>8,160 to 11,439</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$1,900</u>
<u>11,440 to 14,709</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$1,850</u>
<u>14,710 to 16,339</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$1,800</u>
<u>16,340 to 17,959</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$1,750</u>
<u>17,960 to 21,239</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$1,700</u>
<u>21,240 to 22,869</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$1,650</u>
<u>22,870 to 24,499</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$1,650</u>
<u>24,500 to 27,779</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$1,650</u>
<u>27,780 to 29,399</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$1,650</u>
<u>29,400 to 34,299</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$1,650</u>
<u>34,300 to 39,199</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$1,650</u>
<u>39,200 to 45,739</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$1,650</u>
<u>45,740 to 47,369</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$1,500</u>
<u>47,370 to 49,009</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$1,350</u>
<u>49,010 to 50,649</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$1,150</u>
<u>50,650 to 52,269</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$1,000</u>
<u>52,270 to 53,909</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$900</u>
<u>53,910 to 55,539</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$500</u>
<u>55,540 to 57,169</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$200</u>

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$41,820 \$57,170 or more.

**EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2013 and following years.

Sec. 4. Minnesota Statutes 2012, section 290A.04, subdivision 4, is amended to read:

**Subd. 4. Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined as provided in this subdivision.

(b) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2 for inflation, the percentage increase shall be determined from the year ending on June 30, 2011 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.

(c) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the year ending on June 30, 2000 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.

(d) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

(e) The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

**EFFECTIVE DATE.** This section is effective for refund claims based on taxes payable in 2014 and rent paid in 2013 and following years.

Sec. 5. **[290A.28] NOTIFICATION OF POTENTIAL ELIGIBILITY.**

**Subdivision 1. Notification of eligibility.** (a) By August 1, 2014, the commissioner shall notify, in writing or electronically, individual homeowners whom the commissioner determines likely will be eligible for a homestead credit refund under this chapter for that property taxes payable year. In determining whether to notify a homeowner, the commissioner shall consider the property tax information available to the commissioner under paragraph (b) and the most recent income information available to the commissioner from filing under this chapter for the prior year or under chapter 290 for the current or prior year. The notification must include information on how to file for the homestead credit refund and the range of potential homestead credit refunds that the homeowner could qualify to receive. The notification requirement under this section does not apply to a homeowner who has already filed for the homestead credit refund for the current or prior year.

(b) By May 15, 2014, each county auditor shall transmit to the commissioner of revenue the following information for each property classified as a residential or agricultural homestead under section 273.13, subdivision 22 or 23:

(1) the property taxes payable;

(2) the name and address of the owner;

(3) the Social Security number or numbers of the owners; and

(4) any other information the commissioner deems necessary or useful to carry out the provisions of this section.

The information must be provided in the form and manner prescribed by the commissioner.

**Subd. 2. Report.** By March 15, 2015, the commissioner must provide written reports to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197. The report must provide information on the number and dollar amount of homeowner property tax refund claims based on taxes payable in 2014, including:

(i) the number and dollar amount of claims projected for homestead credit refunds based on taxes payable in 2014 prior to enactment of the notification requirement in this section;

(ii) the number of notifications issued as provided in this section, including the number issued by county;

(iii) the number and dollar amount of claims for homestead credit refunds based on taxes payable in 2014 processed through December 31, 2014; and

(iv) a description of any outreach efforts undertaken by the commissioner for homestead credit refunds based on taxes payable in 2014, in addition to the notification required in this section.

**EFFECTIVE DATE.** This section is effective for refund claims based on property taxes payable in 2014.

### ARTICLE 3 PROPERTY TAX AIDS AND CREDITS

Section 1. Minnesota Statutes 2012, section 69.021, is amended by adding a subdivision to read:

Subd. 12. Surcharge aid accounts. (a) A surcharge fire pension aid account is established in the special revenue fund to receive amounts as provided under section 297I.07, subdivision 3, clause (1). The commissioner shall administer the account and allocate money in the account as follows:

(1) 17.342 percent as supplemental state pension funding paid to the executive director of the Public Employees Retirement Association for deposit in the public employees police and fire retirement fund established by section 353.65, subdivision 1;

(2) 8.658 percent to municipalities employing firefighters with retirement coverage by the public employees police and fire retirement plan, allocated in proportion to the relationship that the preceding December 31 number of firefighters employed by each municipality who have public employees police and fire retirement plan coverage bears to the total preceding December 31 number of municipal firefighters covered by the public employees police and fire retirement plan; and

(3) 74 percent for municipalities other than the municipalities receiving a disbursement under clause (2) which qualified to receive fire state aid in that calendar year, allocated in proportion to the most recent amount of fire state aid paid under subdivision 7 for the municipality bears to the most recent total fire state aid for all municipalities other than the municipalities receiving a disbursement under clause (2) paid under subdivision 7, with the allocated amount for fire departments participating in the voluntary statewide lump-sum volunteer firefighter retirement plan paid to the executive director of the Public Employees Retirement Association for deposit in the fund established by section 353G.02, subdivision 3, and credited to the respective account and with the balance paid to the treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of the applicable volunteer firefighter relief association for deposit in its special fund.

(b) A surcharge police pension aid account is established in the special revenue fund to receive amounts as provided by section 297I.07, subdivision 3, clause (2). The commissioner shall administer the account and allocate money in the account as follows:

(1) one-third to be distributed as police state aid as provided under subdivision 7a; and

(2) two-thirds to be apportioned, on the basis of the number of active police officers certified for police state aid receipt under section 69.011, subdivisions 2 and 2b, between:

(i) the executive director of the Public Employees Retirement Association for deposit as a supplemental state pension funding aid in the public employees police and fire retirement fund established by section 353.65, subdivision 1; and

(ii) the executive director of the Minnesota State Retirement System for deposit as a supplemental state pension funding aid in the state patrol retirement fund.

(c) On or before September 1, annually, the executive director of the Public Employees Retirement Association shall report to the commissioner the following:

(1) the municipalities which employ firefighters with retirement coverage by the public employees police and fire retirement plan;

(2) the number of firefighters with public employees police and fire retirement plan employed by each municipality;

(3) the fire departments covered by the voluntary statewide lump-sum volunteer firefighter retirement plan; and

(4) any other information requested by the commissioner to administer the surcharge fire pension aid account.

(d) For this subdivision, (i) the number of firefighters employed by a municipality who have public employees police and fire retirement plan coverage means the number of firefighters with public employees police and fire retirement plan coverage that were employed by the municipality for not less than 30 hours per week for a minimum of six months prior to December 31 preceding the date of the payment under this section and, if the person was employed for less than the full year, prorated to the number of full months employed; and, (ii) the number of active police officers certified for police state aid receipt under section 69.011, subdivisions 2 and 2b means, for each municipality, the number of police officers meeting the definition of peace officer in section 69.011, subdivision 1, counted as provided and limited by section 69.011, subdivisions 2 and 2b.

(e) The payments under this section shall be made on October 1 each year, based on the amount in the surcharge fire pension aid account and the amount in the surcharge police pension aid account on the preceding June 30, with interest at 1 percent for each month, or portion of a month, that the amount remains unpaid after October 1. The amounts necessary to make the payments under this subdivision are annually appropriated to the commissioner from the surcharge fire and police pension aid accounts. Any necessary adjustments shall be made to subsequent payments.

(f) The provisions of this chapter that prevent municipalities and relief associations from being eligible for, or receiving state aid under this chapter until the applicable financial reporting requirements have been complied with, apply to the amounts payable to municipalities and relief associations under this subdivision.

(g) The amounts necessary to make the payments under this subdivision are appropriated to the commissioner from the respective accounts in the special revenue fund.

**EFFECTIVE DATE.** This section is effective beginning in the fiscal year beginning July 1, 2013.

Sec. 2. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

**Subd. 4. Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone, as defined in section 469.166; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 2 percent of the property's market value and (ii) the tax on class 3a property to 2.3 2 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes forgone as the result of the credits in proportion to their total levies.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

Sec. 3. Minnesota Statutes 2012, section 290C.02, subdivision 6, is amended to read:

**Subd. 6. Forest land.** "Forest land" means land containing a minimum of 20 contiguous acres for which the owner has implemented a forest management plan that was prepared or updated within the past ten years by an approved plan writer. For purposes of this subdivision, acres are considered to be contiguous even if they are separated by a road, waterway, railroad track, or other similar intervening property. At least 50 percent of the contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7. For the purposes of sections 290C.01 to 290C.11, forest land does not include the following:

(i) land used for residential or agricultural purposes;

(ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota agricultural property tax law under section 273.111, or land subject to agricultural land preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan Agricultural Preserves Act under chapter 473H, ~~or~~;

(iii) land subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity; or

(iv) land improved with a structure, pavement, sewer, campsite, or any road, other than a township road, used for purposes not prescribed in the forest management plan.

**EFFECTIVE DATE.** This section is effective for payments made beginning in calendar year 2014.

Sec. 4. Minnesota Statutes 2012, section 290C.05, is amended to read:

**290C.05 ANNUAL CERTIFICATION.**

On or before July 1 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form, along with a copy of the property tax statement for the property taxes payable on the enrolled property for the calendar year and any other information the commissioner deems necessary to determine whether the property is qualified under section 290C.02, subdivision 6, or the amount of the payment under section 290C.07, paragraph (a), clause (2), to the commissioner by August 15 of that same year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply.

**EFFECTIVE DATE.** This section is effective for payments made beginning in calendar year 2014.

Sec. 5. Minnesota Statutes 2012, section 290C.07, is amended to read:

**290C.07 CALCULATION OF INCENTIVE PAYMENT.**

(a) An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall be equal to the lesser of (1) \$7 per acre or (2) one-half of the property tax payable for the calendar year for each acre enrolled in the sustainable forest incentive program.

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

**EFFECTIVE DATE.** This section is effective for payments made beginning in calendar year 2014.

**Sec. 6. [297I.07] SURCHARGE ON HOMEOWNERS AND AUTO POLICIES.**

Subdivision 1. Surcharge on policies. (a) Each licensed insurer engaged in writing insurance shall collect a surcharge equal to \$5 per calendar year for each policy issued or renewed during that calendar year for:

(1) homeowners insurance authorized in section 60A.06, subdivision 1, clause (1)(c); and

(2) automobile insurance as defined in section 65B.14, subdivision 2.

(b) The surcharge amount collected under this subdivision must not be considered premium for any other purpose. The surcharge amount must be separately stated on either a billing or policy declaration or document containing similar information sent to an insured.

Subd. 2. Collection and administration. The commissioner shall administer the surcharge imposed by this section in the same manner as the taxes imposed by this chapter.

Subd. 3. Deposit of revenues. The commissioner shall deposit revenues from the surcharge under this section as follows:

(1) amounts from the surcharge imposed under subdivision 1, paragraph (a), clause (1), in a surcharge fire pension aid account in the special revenue fund; and

(2) amounts from the surcharge imposed under subdivision 1, paragraph (a), clause (2), in a surcharge police pension aid account in the special revenue fund.

Subd. 4. Surcharge termination. The surcharge imposed under subdivision 1 ends on the December 31 next following the actuarial valuation date on which the assets of the retirement plan on a market value equals or exceeds 90 percent of the total actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation prepared under section 356.215 and the Standards for Actuarial Work promulgated by the Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan or the public employees police and fire retirement plan, whichever occurs last.

**EFFECTIVE DATE.** This section is effective for policies issued after June 30, 2013.

Sec. 7. Minnesota Statutes 2012, section 477A.011, subdivision 30, is amended to read:

**Subd. 30. Pre-1940 housing percentage.** (a) Except as provided in paragraph (b), "pre-1940 housing percentage" for a city is 100 times the most recent federal census count by the United States Bureau of the Census of all housing units in the city built before 1940, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

(b) For the city of East Grand Forks only, "pre-1940 housing percentage" is equal to 100 times the 1990 federal census count of all housing units in the city built before 1940, divided by the most recent count by the United States Bureau of the Census of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 8. Minnesota Statutes 2012, section 477A.011, is amended by adding a subdivision to read:

Subd. 30a. Percent of housing built between 1940 and 1970. "Percent of housing built between 1940 and 1970" is equal to 100 times the most recent count by the United States Bureau of the Census of all housing units in the city built after 1939 but before 1970, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 9. Minnesota Statutes 2012, section 477A.011, subdivision 34, is amended to read:

Subd. 34. City revenue need. (a) For a city with a population equal to or greater than 2,500 10,000, "city revenue need" is the greater of 285 or 1.15 times the sum of (1) 5.0734098 4.59 times the pre-1940 housing percentage; plus (2) 49.141678 times the population decline percentage 0.622 times the percent of housing built between 1940 and 1970; plus (3) 2504.06334 times the road accidents factor 169.415 times the jobs per capita; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size the sparsity adjustment; plus (5) 307.664.

(b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak population decline.

(b) (c) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772 410 plus 0.367 times the city's population over 100. The city revenue need under this paragraph shall not exceed 630.

(e) (d) For a city with a population of at least 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter but less than 3,000, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (b) plus (2) 630 times the difference between one and the transition factor. For a city with a population of at least 10,000 but less than 10,500, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (a) plus (2) the city's revenue need calculated under the formula in paragraph (b) times the difference between one and the transition factor. For purposes of this paragraph "transition factor" is 0.2 percent times the amount that the city's population exceeds the minimum threshold in either of the first two sentences.

(e) (e) The city revenue need cannot be less than zero.

~~(e) (f)~~ For calendar year 2005 2015 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to ~~(d)~~ (e), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the 2003 2013 implicit price deflator for state and local government purchases.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 10. Minnesota Statutes 2012, section 477A.011, subdivision 42, is amended to read:

~~Subd. 42. **City jobs base Jobs per capita.** (a) "City jobs base" for a city with a population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of jobs per capita in the city, and (3) its population. For cities with a population less than 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36, paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed \$4,725,000 under this paragraph.~~

~~(b) For calendar year 2010 and subsequent years, the city jobs base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.~~

~~(c) For purposes of this subdivision, "Jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of May 1, 2008 November 1 of every odd-numbered year, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by June 1, 2008 January 15, of every even-numbered year beginning with January 15, 2014. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by June 20, 2008 December 1 of every odd-numbered year. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by July 15, 2008 January 15 of all even-numbered years, including any estimates still under objection. For aids payable in 2014, "jobs per capita" shall be based on the annual number of employees and population for calendar year 2010 without additional review.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 11. Minnesota Statutes 2012, section 477A.011, is amended by adding a subdivision to read:

~~Subd. 44. **Peak population decline.** "Peak population decline" is equal to 100 times the difference between one and the ratio of the city's current population, to the highest city population reported in a federal census from the 1970 census or later. "Peak population decline" shall not be less than zero.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 12. Minnesota Statutes 2012, section 477A.011, is amended by adding a subdivision to read:

~~Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the sparsity adjustment is 100 for any city with an average population density less than 150 per square mile, according to the most recent federal census, and the sparsity adjustment is zero for all other cities.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 13. Minnesota Statutes 2012, section 477A.013, subdivision 8, is amended to read:

**Subd. 8. City formula aid.** (a) For aids payable in 2014 only, the formula aid for a city is equal to the lesser of its unmet need or the sum of (1) its 2013 certified aid and (2) the product of (i) the difference between its unmet need and its 2013 certified aid and (ii) the aid gap percentage.

(b) For aids payable in 2015 and thereafter, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by the average of its unmet need for the most recently available two years formula aid in the previous year and (2) the product of (i) the difference between its unmet need and its certified aid in the previous year under subdivision 9, and (ii) the aid gap percentage.

No city may have a formula aid amount less than zero. The need increase aid gap percentage must be the same for all cities.

The applicable need increase aid gap percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated except that the data used to compute "net levy" in subdivision 9 is the data most recently available at the time of the aid computation.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 14. Minnesota Statutes 2012, section 477A.013, subdivision 9, is amended to read:

**Subd. 9. City aid distribution.** (a) In calendar year 2013 2014 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base aid adjustment under subdivision 13.

(b) For aids payable in 2013 and 2014 only, the total aid in the previous year for any city shall mean the amount of aid it was certified to receive for aids payable in 2012 under this section. For aids payable in 2015 and thereafter, the total aid in the previous year for any city means the amount of aid it was certified to receive under this section in the previous payable year.

(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total aid for any city with a population of 2,500 or more may not be less than its total aid under this section in the previous year minus the lesser of \$10 multiplied by its population, or ten percent of its net levy in the year prior to the aid distribution.

(d) (b) For aids payable in 2014 only, the total aid for a city may not be less than the amount it was certified to receive in 2013. For aids payable in 2010 2015 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus the lesser of \$10 multiplied by its population, or five percent of its 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a population less than 2,500 must not be less than what it received under this section in the previous year unless its total aid in calendar year 2008 was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum aid is zero its net levy in the year prior to the aid distribution.

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

~~(f) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax exempt Indian land, the city's maximum allowed aid increase under paragraph (e) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 15. Minnesota Statutes 2012, section 477A.013, is amended by adding a subdivision to read:

Subd. 13. Certified aid adjustments. (a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in 2014 through 2018.

(b) A city that received a temporary aid increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (m), (v), or (w), shall have its total aid under subdivision 9 decreased by the amount of its aid base increase under those paragraphs in calendar year 2013.

Sec. 16. Minnesota Statutes 2012, section 477A.03, subdivision 2a, is amended to read:

~~Subd. 2a. Cities. For aids payable in 2013 2014 and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$426,438,012 \$506,438,012. For aids payable in 2015 and thereafter, the total aid paid under section 477A.013, subdivision 9, is the amount certified under that section in the previous year multiplied by the inflation adjustment under subdivision 6.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 17. Minnesota Statutes 2012, section 477A.03, subdivision 2b, is amended to read:

~~Subd. 2b. Counties. (a) For aids payable in 2013 2014 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is \$80,795,000 \$95,795,000. Each calendar year, \$500,000 of this appropriation shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.~~

~~(b) For aids payable in 2013 2014 and thereafter, the total aid under section 477A.0124, subdivision 4, is \$84,909,575 \$99,909,575. The commissioner of management and budget shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in each fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in each fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of management and budget and the commissioner of education for the preparation of local impact notes.~~

**EFFECTIVE DATE.** This section is effective for aid payable in 2014 and thereafter.

Sec. 18. Minnesota Statutes 2012, section 477A.03, is amended by adding a subdivision to read:

Subd. 6. Inflation adjustment. In 2015 and thereafter, the amount paid under subdivision 2a shall be multiplied by an amount equal to one plus the sum of (1) the percentage increase in the implicit price deflator for government expenditures and gross investment for state and local government purchases as prepared by the United States Department of Commerce, for the 12-month period ending March 31 of the previous calendar year, and (2) the percentage increase in total city population for the most recently available years as of January 15 of the current year. The percentage increase in this subdivision shall not be less than 2.5 percent or greater than five percent.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 19. **REPEALER.**

(a) Minnesota Statutes 2012, sections 477A.011, subdivisions 2a, 19, 29, 31, 32, 33, 36, 39, 40, 41, and 42; 477A.013, subdivisions 11 and 12; 477A.0133; and 477A.0134, are repealed.

(b) Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter 154, article 1, section 4, is repealed.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

ARTICLE 4  
PROPERTY TAXES

Section 1. Minnesota Statutes 2012, section 103B.102, subdivision 3, is amended to read:

Subd. 3. **Evaluation and report.** The Board of Water and Soil Resources shall evaluate performance, financial, and activity information for each local water management entity. The board shall evaluate the entities' progress in accomplishing their adopted plans on a regular basis as determined by the board based on budget and operations of the local water management entity, but not less than once every five ten years. The board shall maintain a summary of local water management entity performance on the board's Web site. Beginning February 1, 2008, and annually thereafter, the board shall provide an analysis of local water management entity performance to the chairs of the house of representatives and senate committees having jurisdiction over environment and natural resources policy.

Sec. 2. Minnesota Statutes 2012, section 103B.335, is amended to read:

**103B.335 TAX LEVY AUTHORITY.**

Subdivision 1. **Local water planning and management.** The governing body of any county, municipality, or township may levy a tax in an amount required to implement sections 103B.301 to 103B.355 or a comprehensive watershed management plan as defined in section 103B.3363.

Subd. 2. **Priority programs; conservation and watershed districts.** A county may levy amounts necessary to pay the reasonable increased costs to soil and water conservation districts and watershed districts of administering and implementing priority programs identified in an approved and adopted plan or a comprehensive watershed management plan as defined in section 103B.3363.

Sec. 3. Minnesota Statutes 2012, section 103B.3369, subdivision 5, is amended to read:

Subd. 5. **Financial assistance.** A base grant may be awarded to a county that provides a match utilizing a water implementation tax or other local source. A water implementation tax that a county intends to use as a match to the base grant must be levied at a rate sufficient to generate a minimum amount determined by the board. The board

may award performance-based grants to local units of government that are responsible for implementing elements of applicable portions of watershed management plans, comprehensive plans, local water management plans, or comprehensive watershed management plans, developed or amended, adopted and approved, according to chapter 103B, 103C, or 103D. Upon request by a local government unit, the board may also award performance-based grants to local units of government to carry out TMDL implementation plans as provided in chapter 114D, if the TMDL implementation plan has been incorporated into the local water management plan according to the procedures for approving comprehensive plans, watershed management plans, local water management plans, or comprehensive watershed management plans under chapter 103B, 103C, or 103D, or if the TMDL implementation plan has undergone a public review process. Notwithstanding section 16A.41, the board may award performance-based grants on an advanced basis. The fee authorized in section 40A.152 may be used as a local match or as a supplement to state funding to accomplish implementation of comprehensive plans, watershed management plans, local water management plans, or comprehensive watershed management plans under chapter 103B, 103C, or 103D.

Sec. 4. Minnesota Statutes 2012, section 103C.501, subdivision 4, is amended to read:

**Subd. 4. Cost-sharing funds.** (a) The state board shall allocate ~~at least 70 percent of~~ cost-sharing funds to areas with high priority erosion, sedimentation, or water quality problems or water quantity problems due to altered hydrology. The areas must be selected based on ~~the statewide~~ priorities established by the state board.

(b) The allocated funds must be used for conservation practices for high priority problems identified in the comprehensive and annual work plans of the districts, ~~for the technical assistance portion of the grant funds to leverage federal or other nonstate funds, or to address high-priority needs identified in local water management plans or comprehensive watershed management plans.~~

~~(b) The remaining cost-sharing funds may be allocated to districts as follows:~~

~~(1) for technical and administrative assistance, not more than 20 percent of the funds; and~~

~~(2) for conservation practices for lower priority erosion, sedimentation, or water quality problems.~~

Sec. 5. Minnesota Statutes 2012, section 103F.405, subdivision 1, is amended to read:

**Subdivision 1. Authority.** Each statutory or home rule charter city, town, or county that has planning and zoning authority under sections 366.10 to 366.19, 394.21 to 394.37, or 462.351 to 462.365 is encouraged to adopt a soil loss ordinance. The soil loss ordinance must use the soil loss tolerance for each soil series described in the United States ~~Soil Natural Resources~~ Conservation Service Field Office Technical Guide, ~~or another method approved by the Board of Water and Soil Resources,~~ to determine the soil loss limits, but the soil loss limits must be attainable by the best practicable soil conservation practice. Ordinances adopted by local governments ~~within the metropolitan area defined in section 473.121~~ must be consistent with ~~local water management plans adopted under section 103B.235~~ a comprehensive plan, local water management plan, or watershed management plan developed or amended, adopted and approved, according to chapter 103B, 103C, or 103D.

Sec. 6. Minnesota Statutes 2012, section 168.012, subdivision 9, is amended to read:

**Subd. 9. Manufactured homes and park trailers.** Manufactured homes and park trailers shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section 273.125, manufactured homes and park trailers shall be taxed as personal property. The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for tax exemption shall be inapplicable to manufactured homes and park trailers, except such manufactured homes as are held by a

licensed dealer or limited dealer and exempted as inventory under subdivision 9a. Travel trailers not conspicuously displaying current registration plates on the property tax assessment date shall be taxed as manufactured homes if occupied as human dwelling places.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 7. Minnesota Statutes 2012, section 168.012, is amended by adding a subdivision to read:

Subd. 9a. Manufactured home as dealer inventory. Manufactured homes as defined in section 327.31, subdivision 6, shall be considered as dealer inventory if the home is:

- (1) listed as inventory and held by a licensed or limited dealer;
- (2) unoccupied and not available for rent;
- (3) may or may not be permanently connected to utilities when located in a manufactured park; and
- (4) may or may not be temporarily connected to utilities when located at a dealer's sales center.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 8. Minnesota Statutes 2012, section 272.02, subdivision 39, is amended to read:

Subd. 39. **Economic development; public purpose.** The holding of property by a political subdivision of the state for later resale for economic development purposes shall be considered a public purpose in accordance with subdivision 8 for a period not to exceed nine years, except that for property located in a city of 5,000 20,000 population or under that is located outside of the metropolitan area as defined in section 473.121, subdivision 2, the period must not exceed 15 years.

The holding of property by a political subdivision of the state for later resale (1) which is purchased or held for housing purposes, or (2) which meets the conditions described in section 469.174, subdivision 10, shall be considered a public purpose in accordance with subdivision 8.

The governing body of the political subdivision which acquires property which is subject to this subdivision shall after the purchase of the property certify to the city or county assessor whether the property is held for economic development purposes or housing purposes, or whether it meets the conditions of section 469.174, subdivision 10. If the property is acquired for economic development purposes and buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements which is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity the provisions of this subdivision shall not apply to the property. This subdivision shall not create an exemption from section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

**EFFECTIVE DATE.** This section is effective for assessment year 2013 and thereafter and for taxes payable in 2014 and thereafter.

Sec. 9. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision to read:

Subd. 98. Certain property owned by an Indian tribe. (a) Property is exempt that:

- (1) was classified as 3a under section 273.13, subdivision 24, for taxes payable in 2013;

(2) is located in a city of the first class with a population greater than 300,000 as of the 2010 federal census;

(3) is owned and occupied directly or indirectly by a federally recognized Indian tribe within the state of Minnesota; and

(4) is used exclusively for tribal purposes or institutions of public charity as defined in subdivision 7.

(b) For purposes of this subdivision, a "tribal purpose" is a public purpose as defined in subdivision 8 and includes noncommercial tribal government activities. Property that qualifies for the exemption under this subdivision is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 20,000 square feet. Property acquired for single-family housing, market-rate apartments, agriculture, or forestry does not qualify for this exemption. The exemption created by this subdivision expires with taxes payable in 2024.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

Sec. 10. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision to read:

Subd. 99. **Public entertainment facility; property tax exemption; special assessment.** Any real or personal property acquired, owned, leased, controlled, used, or occupied by a first class city for the primary purpose of providing an arena for a professional basketball team is declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and is exempt from ad valorem taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. In determining the special benefit received by the properties, no possible use of any of the properties in any manner different from their intended use for providing a professional basketball arena at the time may be considered. Notwithstanding section 272.01, subdivision 2, or 273.19, real or personal property subject to a lease or use agreement between the city and another person for uses related to the purposes of the operation of the arena is exempt from taxation regardless of the length of the lease or use agreement. This section, insofar as it provides an exemption or special treatment, does not apply to any real property that is leased for residential, business, or commercial development, or to a restaurant that is open for general business more than 200 days a year, or for other purposes different from those necessary to the provision and operation of the arena.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

Sec. 11. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision to read:

Subd. 100. **Public entertainment facility; property tax exemption; special assessment.** Any real or personal property acquired, owned, leased, controlled, used, or occupied by a first class city for the primary purpose of providing a ball park for a minor league baseball team is declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and is exempt from ad valorem taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. In determining the special benefit received by the properties, no possible use of any of the properties in any manner different from their intended use for providing a minor league ballpark at the time may be considered. Notwithstanding section 272.01, subdivision 2, or 273.19, real or personal property subject to a lease or use agreement between the city and another person for uses related to the purposes of the operation of the ballpark and related parking facilities is exempt from taxation regardless of the length of the lease or use agreement. This section, insofar as it provides an exemption or special treatment, does not apply to any real property that is leased for residential, business, or commercial development or other purposes different from those necessary to the provision and operation of the ball park.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

Sec. 12. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision to read:

Subd. 101. Electric generation facility; personal property. (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds five megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must be:

- (1) designed to utilize natural gas as a primary fuel;
- (2) owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- (3) designed to utilize reciprocating engines paired with generators to produce electrical power;
- (4) located within the service territory of a municipal power agency's electrical municipal utility that serves load exclusively in a metropolitan county as defined in section 473.121, subdivision 4; and
- (5) designed to connect directly with a municipality's substation.

(b) Construction of the facility must be commenced after June 1, 2013, and before June 1, 2017. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

**EFFECTIVE DATE.** This section is effective for assessment year 2013, taxes payable in 2014, and thereafter.

Sec. 13. Minnesota Statutes 2012, section 273.11, is amended by adding a subdivision to read:

Subd. 24. Valuation limit for class 4d property. Notwithstanding the provisions of subdivision 1, the taxable value of any property classified as class 4d under section 273.13, subdivision 25, is limited as provided under this section. For assessment year 2013, the value may not exceed \$100,000 times the number of dwelling units. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under section 273.13, subdivision 25, for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000. Beginning with assessment year 2014, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

Sec. 14. Minnesota Statutes 2012, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision subdivisions 3 or 4 to 5, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and

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

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

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

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

Sec. 15. Minnesota Statutes 2012, section 279.01, is amended by adding a subdivision to read:

**Subd. 5. Federal active service exception.** In the case of a homestead property owned by an individual who is on federal active service, as defined in section 190.05, subdivision 5c, as a member of the National Guard or a reserve component, a six-month grace period is granted for complying with the due dates imposed by subdivision 1. During this period, no late fees or penalties shall accrue against the property. The due date for property taxes owed under this chapter for an individual covered by this subdivision shall be November 16 for taxes due on May 16, and April 16 of the following year for taxes due on October 16. A taxpayer making a payment under this subdivision must accompany the payment with a signed copy of the taxpayer's orders or form DD214 showing the dates of active service which clearly indicate that the taxpayer was in active service as a member of the National Guard or a reserve component on the date the payment was due. This grace period applies to all homestead property owned by individuals on federal active service, as herein defined, for all of that property's due dates which fall on a day that is included in the taxpayer's federal active service.

Sec. 16. Minnesota Statutes 2012, section 279.02, is amended to read:

## **279.02 DUTIES OF COUNTY AUDITOR AND TREASURER.**

**Subdivision 1. Delinquent property; rates.** On the first business day in January, of each year, the county treasurer shall return the tax lists on hand to the county auditor, who shall compare the same with the statements received for by the treasurer on file in the auditor's office and each tract or lot of real property against which the

taxes, or any part thereof, remain unpaid, shall be deemed delinquent, and thereupon an additional penalty of two percent on the amount of the original tax remaining unpaid shall immediately accrue and thereafter be charged upon all such delinquent taxes; and any auditor who shall make out and deliver any statement of delinquent taxes without including therein the penalties imposed by law, and any treasurer who shall receive payment of such taxes without including in such payment all items as shown on the auditor's statement, shall be liable to the county for the amounts of any items omitted.

Subd. 2. **Federal active service exception.** Notwithstanding subdivision 1, a homestead property owned by an individual who is on federal active service, as defined in section 190.05, subdivision 5c, as a member of the National Guard or a reserve component, shall not be deemed delinquent under this section if the due dates imposed under section 279.01 fall on a day in which the individual was on federal active service.

Sec. 17. Minnesota Statutes 2012, section 287.05, is amended by adding a subdivision to read:

Subd. 10. **Hennepin and Ramsey Counties.** For properties located in Hennepin and Ramsey Counties, the county may impose an additional mortgage registry tax as defined in sections 383A.80 and 383B.80.

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

Sec. 18. **[287.40] HENNEPIN AND RAMSEY COUNTIES.**

For properties located in Hennepin and Ramsey Counties, the county may impose an additional deed tax as defined in sections 383A.80 and 383B.80.

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

Sec. 19. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243, article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter 154, article 2, section 30, is amended to read:

**Sec. 3. TAX; PAYMENT OF EXPENSES.**

(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds the amount authorized to be levied under that section. The proceeds of the tax may be used for all purposes of the hospital district, except as provided in paragraph (b).

(b) 0.015 percent of taxable market value of the tax in paragraph (a) may be used solely by the Cook ambulance service and the Orr ambulance service for the purpose of capital expenditures as it relates to:

(1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not;

(2) attached and portable equipment for use in and for the ambulances; and

(3) parts and replacement parts for maintenance and repair of the ambulances.

The money may not be used for administrative, operation, or salary expenses.

(c) The part of the levy referred to in paragraph (b) must be administered by the Cook Hospital and passed on in equal amounts directly to the Cook area ambulance service board and the city of Orr to be held in trust until funding for a new ambulance is needed by either the Cook ambulance service or the Orr ambulance service used for the purposes in paragraph (b).

Sec. 20. Laws 1999, chapter 243, article 6, section 11, is amended to read:

**Sec. 11. CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.**

**Subdivision 1. Levy authorized.** Notwithstanding other law to the contrary, the Carlton county board of commissioners may annually levy in and for the unorganized township territory of Sawyer an amount up to \$1,000 annually for cemetery purposes, beginning with taxes payable in 2000 and ending with taxes payable in 2009.

**Subd. 2. Effective date.** This section is effective June 1, 1999, without local approval.

**EFFECTIVE DATE; LOCAL APPROVAL.** This section applies to taxes payable in 2014 and thereafter, and is effective the day after the Carlton county board of commissioners and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 21. Laws 2008, chapter 366, article 5, section 33, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009, and is repealed effective for taxes levied in 2013 2018, payable in 2014 2019, and thereafter.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

Sec. 22. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for assessment years year 2010 and 2011, for taxes payable in 2011 and 2012 thereafter.

**EFFECTIVE DATE.** This section is effective for assessment year 2012 and thereafter.

**Sec. 23. MINNEAPOLIS AND ST. PAUL; ENTERTAINMENT FACILITIES COORDINATION.**

(a) On or before January 1, 2015, the cities of St. Paul and Minneapolis shall establish a joint governing structure to coordinate and provide for joint marketing, promotion, and scheduling of conventions and events at the Target Center and Xcel Energy Center.

(b) On or before February 1, 2014, the cities of St. Paul and Minneapolis, and representatives from the primary professional sports team tenant of each facility, shall also study and report to the legislature on creating a joint governing structure to provide for joint administration, financing, and operations of the facilities and the possible effects of joint governance on the finances of each facility and each city. The study under this paragraph must:

(1) examine the current finances of each facility, including past and projected costs and revenues; projected capital improvements; and the current and projected impact of each facility on the city's general fund;

(2) determine the impacts of joint governance on the future finances of each facility and city;

(3) examine the inclusion of other entertainment venues in the joint governance, and the impact the inclusion of those facilities would have on all the facilities within the joint governing structure and the cities in which they are located; and

(4) consider the amount of city, regional, and state funding, if any, that would be required to fund and operate the facilities under a joint governing structure.

(c) In considering joint governing structures under paragraph (b), the study shall specifically consider the feasibility of joining the Target Center and the Xcel Energy Center, and possibly other venues, to the Minnesota Sports Facilities Authority under Minnesota Statutes, section 473J.08.

(d) Representatives of the cities and the primary professional sports team tenants of each facility shall meet within 30 days of the effective date of this section to begin implementation of this section.

**EFFECTIVE DATE.** This section is effective the day following final enactment upon compliance with the provisions of Minnesota Statutes, section 645.021, subdivisions 2 and 3, by the governing bodies of the cities of St. Paul and Minneapolis and their chief clerical officers, and provided that, notwithstanding the time limits under Minnesota Statutes, section 645.021, subdivision 3, the certificates of approval are filed with the secretary of state within 30 days after enactment of this act.

**Sec. 24. MORATORIUM ON CHANGES IN ASSESSMENT PRACTICE.**

(a) An assessor may not deviate from current practices or policies used generally in assessing or determining the taxable status of property used in the production of biofuels, wine, beer, distilled beverages, or dairy products.

(b) An assessor may not change the taxable status of any existing property involved in the industrial processes identified in paragraph (a), unless the change is made as a result of a change in use of the property, or to correct an error. For currently taxable properties, the assessor may change the estimated market value of the property.

**EFFECTIVE DATE.** This section is effective for assessment year 2013 only.

**Sec. 25. STUDY AND REPORT ON CERTAIN PROPERTY USED IN BUSINESS AND PRODUCTION.**

In order to provide the legislature with information on the assessment of property used in business and production activities, the commissioner of revenue must study the impact of the exception contained in Minnesota Statutes, section 272.03, subdivision 1(c)(iii). The commissioner must report a summary of findings and recommendations to the chairs and ranking minority members of the taxes committees of the senate and house of representatives by February 1, 2014.

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

**Sec. 26. REIMBURSEMENT FOR PROPERTY TAX ABATEMENTS.**

Subdivision 1. **Reimbursement.** The commissioner of revenue shall reimburse taxing jurisdictions for property tax abatements granted in Hennepin County under Laws 2011, First Special Session chapter 7, article 5, section 13, notwithstanding the time limits contained in that section. The reimbursements must be made to each taxing jurisdiction pursuant to the certification of the Hennepin County auditor.

Subd. 2. **Appropriation.** The amount necessary, not to exceed \$400,000, is appropriated to the commissioner of revenue from the general fund to make the payments required under this section. This appropriation does not cancel but is available until June 30, 2014.

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

**Sec. 27. IRON RANGE FISCAL DISPARITIES STUDY.**

Subdivision 1. **Study required.** The commissioner of revenue shall conduct a study of the tax relief area revenue distribution program contained in Minnesota Statutes, chapter 276A, commonly known as the Iron Range fiscal disparities program. By February 1, 2015, the commissioner shall submit a report to the chairs and ranking minority members of the house of representatives and senate tax committees consisting of the findings of the study and identification of issues for policy makers to consider. The study must analyze:

(1) the extent to which the benefits of the economic growth in the region are shared throughout the region, especially for growth that results from state or regional decisions;

(2) the program's impact on the variability of tax rates across jurisdictions of the region;

(3) the program's impact on the distribution of homestead property tax burdens across jurisdictions of the region; and

(4) the relationship between the impacts of the program and overburden on jurisdictions containing properties that provide regional benefits, specifically the costs those properties impose on their host jurisdictions in excess of their tax payments. The report must include a description of other property tax, aid, and local development programs that interact with the fiscal disparities program.

Subd. 2. Funds transfer from fiscal disparities levy. For taxes payable in 2014 only, \$75,000 must be added to St. Louis County's areawide levy as otherwise determined under Minnesota Statutes, section 276A.06, subdivision 5. Upon receipt of the proceeds of this levy, St. Louis County must transfer this money to the commissioner of management and budget for deposit into an account in the special revenue fund. One-half of the proceeds of the levy must be transferred prior to June 30, 2014.

Subd. 3. Appropriation. \$37,500 in fiscal year 2014 and \$37,500 in fiscal year 2015 are appropriated from the account in the special revenue fund established under subdivision 2 to the commissioner of revenue to pay for the study required by this section. Any amounts remaining in the account in the special revenue fund on June 30, 2015, must be distributed to St. Louis County for the purposes of reducing the areawide tax rate for taxes payable in 2016.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

**Sec. 28. REPEALER.**

(a) Minnesota Statutes 2012, sections 428A.101; and 428A.21, are repealed.

(b) Minnesota Statutes 2012, sections 383A.80, subdivision 4; and 383B.80, subdivision 4, are repealed.

**EFFECTIVE DATE.** This section is effective the day following final enactment, and paragraph (b) reinstates the authority for Hennepin and Ramsey Counties to impose the additional mortgage registry and deed tax effective for deeds and mortgages executed on or after July 1, 2013.

**ARTICLE 5  
SPECIAL TAXES**

Section 1. Minnesota Statutes 2012, section 270C.56, subdivision 1, is amended to read:

Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others, has the control of, supervision of, or responsibility for filing returns or reports, paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a person who is liable under any other law, is liable for the payment of taxes arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 256.9658, 290.92, and 297E.02, and the applicable penalties and interest on those taxes.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

**Sec. 2. [295.61] SPORTS MEMORABILIA GROSS RECEIPTS TAX.**

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given, unless the context clearly indicates otherwise.

(b) "Commissioner" means the commissioner of revenue.

(c) "Sale" means a transfer of title or possession of tangible personal property, whether absolutely or conditionally.

(d) "Sports memorabilia" means items available for sale to the public that are sold under a license granted by any professional sports league or a team that is a franchise of a professional sports league, or an affiliate or subsidiary of a league or a team, including:

(1) one-of-a-kind items related to sports figures, teams, or events;

(2) trading cards;

(3) photographs;

(4) clothing;

(5) sports event licensed items;

(6) sports equipment; and

(7) similar items.

(e) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

(f) "Wholesaler" means any person making wholesale sales of sports memorabilia to purchasers in the state.

Subd. 2. **Imposition.** A tax is imposed on each sale at wholesale of sports memorabilia equal to ten percent of the gross revenues from the sale.

Subd. 3. **Estimated payments; annual return.** (a) Each wholesaler must make estimated payments of the tax for the calendar year to the commissioner in quarterly installments by April 15, July 15, October 15, and January 15 of the following calendar year. Estimated tax payments are not required if the tax for the calendar year is less than \$500. An underpayment of estimated installments bears interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return at the rate specified in section 270C.40. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues received during the quarter.

(b) A taxpayer with an aggregate tax liability of \$10,000 or more during a fiscal year ending June 30, must remit all liabilities by funds transfer as defined in section 336.4A-104, paragraph (a), in the next calendar year. The funds-transfer payment date, as defined in section 336.4A-401, is on or before the first funds-transfer business day after the date the tax is due.

(c) The taxpayer must file an annual return reconciling the estimated payments by March 15 of the following calendar year.

(d) The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.

Subd. 4. Compensating use tax. If the tax is not paid under subdivision 2, a compensating tax is imposed on possession for sale or use of sports memorabilia in the state. The rate of tax equals the rate under subdivision 2, and must be paid by the possessor of the items.

Subd. 5. Administrative provisions. Unless specifically provided otherwise by this section, the audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal, and administrative provisions of chapters 270C and 289A that apply to taxes imposed under chapter 297A apply to taxes imposed under this section.

Subd. 6. Disposition of revenues. The commissioner shall deposit the revenues from the tax in the general fund.

**EFFECTIVE DATE.** This section is effective for sales made after June 30, 2013.

Sec. 3. Minnesota Statutes 2012, section 297F.01, subdivision 3, is amended to read:

Subd. 3. Cigarette. "Cigarette" means any roll for smoking made wholly or in part of tobacco; that weighs 4.5 pounds or less per thousand:

(1) the wrapper or cover of which is made of paper or another substance or material except tobacco; or

(2) wrapped in any substance containing tobacco, however labeled or named, which, because of its appearance, size, the type of tobacco used in the filler, or its packaging, pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as a cigarette, as defined in clause (1), unless it is wrapped in whole tobacco leaf and does not have a cellulose acetate or other cigarette-like filter.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision to read:

Subd. 10b. Moist snuff. "Moist snuff" means any finely cut, ground, or powdered smokeless tobacco that is intended to be placed or dipped in the mouth.

Sec. 5. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

Subd. 19. Tobacco products. "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; little cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. Rates; cigarettes. A tax is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers, at the following rates:

- (1) on cigarettes weighing not more than three pounds per thousand, 24 141.5 mills on each such cigarette; and
- (2) on cigarettes weighing more than three pounds per thousand, 48 283 mills on each such cigarette.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision to read:

Subd. 1a. **Annual indexing.** (a) Each year the commissioner shall adjust the tax rates under subdivision 1, including any adjustment made in prior years under this subdivision, by multiplying the mill rates for the current calendar year by an adjustment factor. The adjustment factor equals the in-lieu sales tax rate that applies to the following calendar year divided by the in-lieu sales tax rate for the current calendar year. For purposes of this subdivision, "in-lieu sales tax rate" means the tax rate established under section 297F.25, subdivision 1, in tenths of a cent per pack.

(b) The commissioner shall publish the resulting rate by November 1 and the rate applies to sales made on or after January 1 of the following year.

(c) The determination of the commissioner under this subdivision is not a rule and is not subject to the Administrative Procedure Act in chapter 14.

Sec. 8. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

**Subd. 3. Rates; tobacco products.** (a) A tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of 35 95 percent of the wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

- (1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;
- (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or
- (3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

(b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, is imposed on each container of moist snuff.

For purposes of this subdivision, a "container" means the smallest consumer-size can, package, or other container that is marketed or packaged by the manufacturer, distributor, or retailer for separate sale to a retail purchaser.

**EFFECTIVE DATE.** This section is effective July 1, 2013, except the minimum tax under paragraph (b) is effective January 1, 2014.

Sec. 9. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

**Subd. 4. Use tax; tobacco products.** A tax is imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the rate of 35 95 percent of the cost to the consumer of the tobacco products or the minimum tax under subdivision 3, paragraph (b), whichever is greater.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 297F.24, subdivision 1, is amended to read:

**Subdivision 1. Fee imposed.** (a) A fee is imposed upon the sale of nonsettlement cigarettes in this state, upon having nonsettlement cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers of nonsettlement cigarettes. The fee equals a rate of 4.75 2.5 cents per cigarette.

(b) The purpose of this fee is to:

(1) ensure that manufacturers of nonsettlement cigarettes pay fees to the state that are comparable to costs attributable to the use of the cigarettes;

(2) prevent manufacturers of nonsettlement cigarettes from undermining the state's policy of discouraging underage smoking by offering nonsettlement cigarettes at prices substantially below the cigarettes of other manufacturers; and

(3) fund such other purposes as the legislature determines appropriate.

Sec. 11. Minnesota Statutes 2012, section 297F.25, subdivision 1, is amended to read:

**Subdivision 1. Imposition.** (a) A tax is imposed on distributors on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax is equal to 6.5 percent of the combined tax rate under section 297A.62, multiplied by the weighted average retail price and must be expressed in cents per pack rounded to the nearest one-tenth of a cent. The weighted average retail price must be determined annually, with new rates published by November 1, and effective for sales on or after January 1 of the following year. The weighted average retail price must be established by surveying cigarette retailers statewide in a manner and time determined by the commissioner. The commissioner shall make an inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The commissioner shall use the inflation factor for the calendar year in which the new tax rate takes effect. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then the commissioner shall not make an inflation adjustment. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

(b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax calculation of the weighted average retail price for the sales of cigarettes from August 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average retail price per pack of 20 cigarettes from the most recent survey by the percentage change in a weighted average of the presumed legal prices for cigarettes during the year after completion of that survey, as reported and published by the Department of Commerce under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3) adjusting for expected inflation. The rate must be published by May 1 and is effective for sales after July 31. If the weighted average of the presumed legal prices indicates that the average retail price of cigarettes has not increased relative to the average retail price in the most recent survey, then no inflation adjustment must be made. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 12. Minnesota Statutes 2012, 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)	\$5.03 <u>11.02</u> per gallon	\$4.33 <u>2.91</u> per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	\$.30 <u>2.08</u> per gallon	\$.08 <u>.55</u> per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	\$.95 <u>2.73</u> per gallon	\$.25 <u>.72</u> per liter
(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume	\$1.82 <u>3.64</u> per gallon	\$.48 <u>.97</u> per liter
(e) Wine containing more than 24 percent alcohol by volume	\$3.52 <u>5.34</u> per gallon	\$.93 <u>1.42</u> per liter
(f) Natural and artificial sparkling wines containing alcohol	\$1.82 <u>3.60</u> per gallon	\$.48 <u>.95</u> per liter
(g) Cider as defined in section 297G.01, subdivision 3a	\$.45 <u>1.93</u> per gallon	\$.04 <u>.51</u> per liter
(h) Low-alcohol dairy cocktails	\$.08 <u>1.36</u> per gallon	\$.02 <u>.36</u> 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 July 1, 2013.

Sec. 13. Minnesota Statutes 2012, section 297G.03, is amended by adding a subdivision to read:

**Subd. 5. Small winery credit.** (a) A qualified winery is entitled to a tax credit of \$2.08 per gallon on 50,000 gallons sold in any fiscal year beginning July 1. Qualified wineries may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

(1) the liability for tax; or

(2) \$104,000.

(b) For purposes of this subdivision, a "qualified winery" means a winery, whether or not located in this state, producing less than 100,000 gallons of wine in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of gallons, all brands or labels of a winery must be combined. All facilities for the production of wine owned or controlled by the same person, corporation, or other entity must be treated as a single winery.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 14. Minnesota Statutes 2012, section 297G.04, is amended to read:

**297G.04 FERMENTED MALT BEVERAGES; RATE OF TAX.**

Subdivision 1. **Tax imposed.** The following excise tax is imposed on all fermented malt beverages that are imported, directly or indirectly sold, or possessed in this state:

(1) on fermented malt beverages containing not more than 3.2 percent alcohol by weight, ~~\$2.40~~ \$25.55 per 31-gallon barrel; and

(2) on fermented malt beverages containing more than 3.2 percent alcohol by weight, ~~\$4.60~~ \$27.75 per 31-gallon barrel.

For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

**Subd. 2. Tax credit.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~\$4.60~~ \$27.75 per barrel on ~~25,000~~ 50,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

(1) the liability for tax; or

(2) ~~\$115,000~~ \$1,387,500.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than ~~100,000~~ 200,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 15. Minnesota Statutes 2012, section 325D.32, subdivision 2, is amended to read:

**Subd. 2. Cigarettes.** "Cigarettes" means and includes any roll for smoking, made wholly or in part of tobacco, irrespective of size and shape and whether or not such tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material except whole tobacco leaf, and includes any cigarette as defined in section 297F.01, subdivision 3.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 16. **FLOOR STOCKS TAX.**

**Subdivision 1. Cigarettes.** (a) A floor stocks tax is imposed on every person engaged in the business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on July 1, 2013. The tax is imposed at the rate of 80 mills on each cigarette.

(b) Each distributor, on or before July 11, 2013, shall file a return with the commissioner of revenue, in the form the commissioner prescribes, showing the stamped cigarettes and unaffixed stamps on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the cigarettes and unaffixed stamps. Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative, on or before July 11, 2013, shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable on or before August 8, 2013, and after that date bears interest at the rate of one percent per month.

**Subd. 2. Audit and enforcement.** The tax imposed by this section is subject to the audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and collection provisions of Minnesota Statutes, chapters 270C and 297F. The commissioner of revenue may require a distributor to receive and maintain copies of floor stocks fee returns filed by all persons requesting a credit for returned cigarettes.

Subd. 3. Deposit of proceeds. The commissioner of revenue shall deposit the revenues from the tax under this section in the state treasury and credit them to the general fund.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 17. **INTERIM SALES TAX RATE.**

Notwithstanding the provisions of Minnesota Statutes, section 297F.25, the commissioner shall adjust the weighted average retail price in section 297F.25, subdivision 1, on July 1, 2013, to reflect the price changes under this act. This weighted average shall be used to compute cigarette sales tax under Minnesota Statutes, section 297F.25, subdivision 1, until December 31, 2013, when the commissioner shall resume annual adjustments to the weighted average sales price. The commissioner's determination of the adjustment that takes effect on January 1, 2014, must be limited to the change in the weighted average retail that occurs during calendar year 2013 but after July 15, 2013.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 18. **TOBACCO TAX COLLECTION REPORT.**

Subdivision 1. Report to legislature. (a) The commissioner of revenue shall report to the 2014 legislature on the tobacco tax collection system, including recommendations to improve compliance under the excise tax for both cigarettes and other tobacco products. The purpose of the report is to provide information and guidance to the legislature on improvements to the tobacco tax collection system to:

(1) provide a unified system of collecting both the cigarette and other tobacco taxes, regardless of category, size, or shape, that ensures the highest reasonable rates of tax collection;

(2) discourage tax evasion; and

(3) help to prevent illegal sale of tobacco products, which may make these products more accessible to youth.

(b) In the report, the commissioner shall:

(1) provide a detailed review of the present excise tax collection and compliance system as it applies to both cigarettes and other tobacco products. This must include an assessment of the levels of compliance for each category of products and the effect of the stamping requirement on compliance for each category of products and the effect of the stamping requirement on compliance rates for cigarettes relative to other tobacco products. It also must identify any weaknesses in the system;

(2) survey the methods of collection and enforcement used by other states or nations, including identifying and discussing emerging best practices that ensure tracking of both cigarettes and other tobacco products and result in the highest rates of tax collection and compliance. These best practices must consider high-technology alternatives, such as use of bar codes, radio-frequency identification tags, or similar mechanisms for tracking compliance;

(3) evaluate the adequacy and effectiveness of the existing penalties and other sanctions for noncompliance;

(4) evaluate the adequacy of the resources allocated by the state to enforce the tobacco tax and prevention laws; and

(5) make recommendations on implementation of a comprehensive tobacco tax collection system for Minnesota that can be implemented by January 1, 2014, including:

(i) recommendations on the specific steps needed to institute and implement the new system, including estimates of the state's costs of doing so and any additional personnel requirements;

(ii) recommendations on methods to recover the cost of implementing the system from the industry;

(iii) evaluation of the extent to which the proposed system is sufficiently flexible and adaptable to adjust to modifications in the construction, packaging, formatting, and marketing of tobacco products by the industry; and

(iv) recommendations to modify existing penalties or to impose new penalties or other sanctions to ensure compliance with the system.

**Subd. 2. Due date.** The report required by subdivision 1 is due January 1, 2014.

**Subd. 3. Procedure.** The report required under this section must be made in the manner provided under Minnesota Statutes, section 3.195. In addition, copies must be provided to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over taxation.

**Subd. 4. Appropriation.** (a) \$100,000 is appropriated from the general fund to the commissioner of revenue for fiscal year 2014 for the cost of preparing the report under subdivision 1.

(b) The appropriation under this subdivision is a onetime appropriation and is not included in the base budget.

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

**Sec. 19. REPEALER.**

Minnesota Statutes 2012, sections 16A.725; and 256.9658, are repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

## ARTICLE 6 INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2012, section 116J.8737, subdivision 1, is amended to read:

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

(b) "Qualified small business" means a business that has been certified by the commissioner under subdivision 2.

(c) "Qualified investor" means an investor who has been certified by the commissioner under subdivision 3.

(d) "Qualified fund" means a pooled angel investment network fund that has been certified by the commissioner under subdivision 4.

(e) "Qualified investment" means a cash investment in a qualified small business of a minimum of:

(1) \$10,000 in a calendar year by a qualified investor; or

(2) \$30,000 in a calendar year by a qualified fund.

A qualified investment must be made in exchange for common stock, a partnership or membership interest, preferred stock, debt with mandatory conversion to equity, or an equivalent ownership interest as determined by the commissioner.

(f) "Family" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

(g) "Pass-through entity" means a corporation that for the applicable taxable year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable taxable year is not taxed as a corporation under chapter 290.

(h) "Intern" means a student of an accredited institution of higher education, or a former student who has graduated in the past six months from an accredited institution of higher education, who is employed by a qualified small business in a nonpermanent position for a duration of nine months or less that provides training and experience in the primary business activity of the business.

(i) "Liquidation event" means a conversion of qualified investment for cash, cash and other consideration, or any other form of equity or debt interest.

**EFFECTIVE DATE.** This section is effective for qualified small businesses certified after June 30, 2013.

Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 2, is amended to read:

Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply to the commissioner for certification as a qualified small business for a calendar year. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of \$150. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. The application for certification for 2010 must be made available on the department's Web site by August 1, 2010. Applications for subsequent years' certification must be made available on the department's Web site by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the business as satisfying the conditions required of a qualified small business, request additional information from the business, or reject the application for certification. If the commissioner requests additional information from the business, the commissioner must either certify the business or reject the application within 30 days of receiving the additional information. If the commissioner neither certifies the business nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the \$150 application fee. A business that applies for certification and is rejected may reapply.

(c) To receive certification, a business must satisfy all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least 51 percent of the business's employees are employed in Minnesota, and 51 percent of the business's total payroll is paid or incurred in the state;

(3) the business is engaged in, or is committed to engage in, innovation in Minnesota in one of the following as its primary business activity:

(i) using proprietary technology to add value to a product, process, or service in a qualified high-technology field;

- (ii) researching or developing a proprietary product, process, or service in a qualified high-technology field; or
  - (iii) researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;
- (4) other than the activities specifically listed in clause (3), the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;
- (5) the business has fewer than 25 employees;
- (6) the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four and must pay its interns annual wages of at least 175 percent of the federal minimum wage used for federally covered employers, except that this requirement must be reduced proportionately for employees and interns who work less than full-time, and does not apply to an executive, officer, or member of the board of the business, or to any employee who owns, controls, or holds power to vote more than 20 percent of the outstanding securities of the business;
- (7) the business has (i) not been in operation for more than ten years, or (ii) the business has not been in operation for more than 20 years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which United States Food and Drug Administration approval is required for use in the treatment or diagnosis of a disease or condition;
- (8) the business has not previously received private equity investments of more than \$4,000,000; and
- (9) the business is not an entity disqualified under section 80A.50, paragraph (b), clause (3); and
- (10) the business has not issued securities that are traded on a public exchange.
- (d) In applying the limit under paragraph (c), clause (5), the employees in all members of the unitary business, as defined in section 290.17, subdivision 4, must be included.
- (e) In order for a qualified investment in a business to be eligible for tax credits; and
- (1) the business must have applied for and received certification for the calendar year in which the investment was made prior to the date on which the qualified investment was made; and
- (2) the business must not have issued securities that are traded on a public exchange;
- (3) the business must not issue securities that are traded on a public exchange within 180 days after the date on which the qualified investment was made; and
- (4) the business must not have a liquidation event within 180 days after the date on which the qualified investment was made.
- (f) The commissioner must maintain a list of businesses certified under this subdivision for the calendar year and make the list accessible to the public on the department's Web site.
- (g) For purposes of this subdivision, the following terms have the meanings given:

(1) "qualified high-technology field" includes aerospace, agricultural processing, renewable energy, energy efficiency and conservation, environmental engineering, food technology, cellulosic ethanol, information technology, materials science technology, nanotechnology, telecommunications, biotechnology, medical device products, pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar fields; and

(2) "proprietary technology" means the technical innovations that are unique and legally owned or licensed by a business and includes, without limitation, those innovations that are patented, patent pending, a subject of trade secrets, or copyrighted.

**EFFECTIVE DATE.** This section is effective for qualified small businesses certified after June 30, 2013, except the amendments to paragraph (c), clause (7), are effective the day following final enactment.

Sec. 3. Minnesota Statutes 2012, section 116J.8737, subdivision 8, is amended to read:

Subd. 8. **Data privacy.** (a) Data contained in an application submitted to the commissioner under subdivision 2, 3, or 4 are nonpublic data, or private data on individuals, as defined in section 13.02, subdivision 9 or 12, except that the following data items are public:

(1) the name, mailing address, telephone number, e-mail address, contact person's name, and industry type of a qualified small business upon approval of the application and certification by the commissioner under subdivision 2;

(2) the name of a qualified investor upon approval of the application and certification by the commissioner under subdivision 3;

(3) the name of a qualified fund upon approval of the application and certification by the commissioner under subdivision 4;

(4) for credit certificates issued under subdivision 5, the amount of the credit certificate issued, amount of the qualifying investment, the name of the qualifying investor or qualifying fund that received the certificate, and the name of the qualifying small business in which the qualifying investment was made;

(5) for credits revoked under subdivision 7, paragraph (a), the amount revoked and the name of the qualified investor or qualified fund; and

(6) for credits revoked under subdivision 7, paragraphs (b) and (c), the amount revoked and the name of the qualified small business.

(b) The following data, including data classified as nonpublic or private, must be provided to the consultant for use in conducting the program evaluation under subdivision 10:

(1) the commissioner of employment and economic development shall provide data contained in an application for certification received from a qualified small business, qualified investor, or qualified fund, and any annual reporting information received on a qualified small business, qualified investor, or qualified fund; and

(2) the commissioner of revenue shall provide data contained in any applicable tax returns of a qualified small business, qualified investor, or qualified fund.

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

Sec. 4. Minnesota Statutes 2012, 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 ~~April 14, 2011~~ January 3, 2013.

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

Sec. 5. Minnesota Statutes 2012, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; and

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the subtraction allowed under section 290.01, subdivision 19b, clauses ~~(11)~~ and ~~(14)~~ (9) and (12), is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

Sec. 6. Minnesota Statutes 2012, 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, 2012.

Sec. 7. Minnesota Statutes 2012, section 289A.08, subdivision 7, is amended to read:

**Subd. 7. Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. The individual's liability to pay estimated tax is, however, satisfied when the partnership pays composite estimated tax in the manner prescribed in section 289A.25.

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.01, subdivision 19a, clauses (6) to ~~(10)~~ (9), and the subtractions provided in: (i) section 290.01, subdivision 19b, clause (8), to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b, clause (13). The subtraction allowed under section 290.01, subdivision 19b, clause (8), is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

Sec. 8. Minnesota Statutes 2012, section 290.01, subdivision 5, is amended to read:

Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the Commonwealth of Puerto Rico, or any possession of the United States;

~~(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code; or~~

~~(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code.~~

(2) which, regardless of the place where the corporation was incorporated:

(i) has the average of its property, payroll, and sales factors, as defined under section 290.191, within the territorial limits of the 50 states of the United States and the District of Columbia of 20 percent or more; or

(ii) derives less than 80 percent of its income from foreign sources;

(3) which is:

(i) a foreign corporation, foreign partnership, or other foreign entity that has its income included in the federal taxable income, as defined in section 63 of the Internal Revenue Code, of an entity as defined in clause (1) or an individual who is a United States resident, as defined in section 865(g) of the Internal Revenue Code; and

(ii) not treated as a corporation for federal income tax purposes;

(4) which is incorporated in a tax haven; or

(5) which is engaged in activity in a tax haven sufficient for the tax haven to impose a net income tax under United States constitutional standards and section 290.015, and which reports that 20 percent or more of its income is attributable to business in the tax haven.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 9. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision to read:

Subd. 5c. **Tax haven.** (a) "Tax haven" means the following foreign jurisdictions, unless the listing of the jurisdiction does not apply under paragraph (b):

(1) Anguilla;

(2) Antigua and Barbuda;

(3) Aruba;

(4) Bahamas;

(5) Bahrain;

(6) Belize;

(7) Bermuda;

(8) British Virgin Islands;

(9) Cayman Islands;

(10) Cook Islands;

(11) Costa Rica;

(12) Cyprus;

(13) Dominica;

(14) Gibraltar;

(15) Grenada;

(16) Guernsey-Sark-Alderney;

(17) Isle of Man;

(18) Jersey;

(19) Jordan;

(20) Lebanon;

(21) Liberia;

(22) Liechtenstein;

(23) Malta;

(24) Marshall Islands;

(25) Monaco;

(26) Nauru;

(27) Netherlands Antilles;

(28) Niue;

(29) Panama;

(30) St. Kitts and Nevis;

(31) St. Lucia;

(32) St. Vincent and Grenadines;

(33) Samoa;

(34) Turks and Caicos; and

(35) Vanuatu.

(b) A foreign jurisdiction's listing under paragraph (a) does not apply to the first taxable year after:

(1) the United States enters into a tax treaty or other agreement with the foreign jurisdiction that provides for prompt, obligatory, and automatic exchange of information with the United States government relevant to enforcing the provisions of federal tax laws applicable to both individuals and all corporations and other entities and the treaty or other agreement was in effect for the taxable year; and

(2) the foreign jurisdiction imposes a tax rate of at least ten percent on a tax base equal to at least 90 percent of the tax base that applies to corporations under the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for returns filed for taxable years beginning after December 31, 2012.

Sec. 10. Minnesota Statutes 2012, section 290.01, subdivision 19, as amended by Laws 2013, chapter 3, section 3, 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 April 14, 2014 January 3, 2013, shall be in effect for taxable years beginning after December 31, 1996, and before January 1, 2012, and for taxable years beginning after December 31, 2012. The Internal Revenue Code of 1986, as amended through January 3, 2013, is in effect for taxable years beginning after December 31, 2011, and before January 1, 2013.

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

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

Sec. 11. Minnesota Statutes 2012, 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) to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code the amount of:

(i) income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of;

(ii) 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;.

(iii) charitable contributions, as defined in section 170(c) of the Internal Revenue Code, to the extent allowed as a deduction under section 170(a) of the Internal Revenue Code.

~~but The addition sum of the additions under items (i) to (iii) may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code state itemized deduction 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(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue Code, minus any addition that would have been required under clause (2) if the taxpayer had claimed the standard deduction. 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. For purposes of this clause, income, sales and use, and charitable contributions are the last itemized deductions disallowed under clause (13);~~

(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) (10) 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(e)(1)(C) of the Internal Revenue Code;
- (15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(e)(1)(E) of the Internal Revenue Code;
- (16) (11) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code;
- (17) the amount of unemployment compensation exempt from tax under section 85(c) of the Internal Revenue Code;
- (18) (12) changes to federal taxable income attributable to a net operating loss that the taxpayer elected to carry back for more than two years for federal purposes but for which the losses can be carried back for only two years under section 290.095, subdivision 11, paragraph (c);
- (19) (13) to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) 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(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue Code, and reduced by any addition that would have been required under clause (21) if the taxpayer had claimed the standard deduction:
- (i) the amount of disallowed itemized deductions is equal to the lesser of:
- (A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or
- (B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year;
- (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:
- (A) such dollar amount, multiplied by
- (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;
- (iii) the term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;  
(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and  
(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code; and

~~(20)~~ (14) to the extent included in federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

(i) the disallowed personal exemption amount is equal to the dollar amount of the personal exemptions claimed by the taxpayer in the computation of federal taxable income multiplied by the applicable percentage;

(ii) "applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent;

(iii) the term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return; and

(iv) the thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

~~(21) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2013, the difference between the standard deduction allowed under section 63(e) of the Internal Revenue Code and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code as amended through December 1, 2010.~~

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 12. Minnesota Statutes 2012, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

~~(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;~~

~~(7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(e) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;~~

~~(8) (6) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (12), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause ~~(15)~~ (12), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;~~

~~(9) (7)~~ job opportunity building zone income as provided under section 469.316;

~~(10) (8)~~ to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

~~(11) (9)~~ to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10; or the authority of the United Nations;

~~(12) (10)~~ an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

~~(13) (11)~~ in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16) (13)~~, in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16) (13)~~, in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

~~(14) (12)~~ to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

~~(15) (13)~~ to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program;

~~(16) (14)~~ 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 19a, clause ~~(16) (11)~~; and

~~(17) (15)~~ the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c);

(16) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code;

(17) the amount of the phase-out of personal exemptions under section 151(d) of the Internal Revenue Code; and

(18) in the year that the expenditures are made for railroad track maintenance, as defined in section 45G(d) of the Internal Revenue Code, in the case of a shareholder of a corporation that is an S corporation or a partner in a partnership, an amount equal to the credit awarded under section 45G(a) of the Internal Revenue Code. The subtraction is reduced to an amount equal to the percentage of the shareholder's or partner's share of the net income of the S corporation or partnership.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 13. Minnesota Statutes 2012, 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)~~ (8) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

~~(10)~~ (9) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

~~(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) (10) 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) (11) 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) (12) 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) (13) 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) (14) 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) (15) the amount of expenses disallowed under section 290.10, subdivision 2; and~~

~~(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, 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) (16) 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, 2012.

Sec. 14. Minnesota Statutes 2012, 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)~~ (8), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(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~~ 50 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)~~ (15) 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)~~ (16) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (12), 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)~~ (12). The resulting delayed depreciation cannot be less than zero;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (13), an amount equal to one-fifth of the amount of the addition; ~~and~~

~~(19)~~ (18) 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)~~. (16); and

(19) in the year that the expenditures are made for railroad track maintenance, as defined in section 45G(d) of the Internal Revenue Code, an amount equal to the credit awarded under section 45G(a) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 15. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision to read:

Subd. 29a. **State itemized deduction.** The term "state itemized deduction" means federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding any limitation under section 68 of the Internal Revenue Code, and reduced by the amount of the addition required under subdivision 19a, clause (13).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 16. Minnesota Statutes 2012, section 290.01, subdivision 31, as amended by Laws 2013, chapter 3, section 4, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, for taxable years beginning before January 1, 2012, and after December 31, 2012, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through April 14, 2011; and for taxable years beginning after December 31, 2011, and before January 1, 2013, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through January 3, 2013. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

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

Sec. 17. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision to read:

Subd. 33. **Foreign source income; income from foreign sources.** The terms "foreign source income" and "income from foreign sources" means income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 18. Minnesota Statutes 2012, 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 \$31,250, 5.35 percent;
- (2) On all over \$25,680 \$31,250, but not over \$102,030 \$130,000, 7.05 percent;
- (3) On all over \$102,030 \$130,000, but not over \$400,000, 7.85 percent;
- (4) On all over \$400,000, 8.49 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 \$21,400, 5.35 percent;

- (2) On all over \$17,570 ~~\$21,400~~, but not over \$57,710 ~~\$73,500~~, 7.05 percent;
- (3) On all over \$57,710 ~~\$73,500~~, but not over \$226,200, 7.85 percent;
- (4) On all over \$226,200, 8.49 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 ~~\$26,300~~, 5.35 percent;
- (2) On all over \$21,630 ~~\$26,300~~, but not over \$86,910 ~~\$110,700~~, 7.05 percent;
- (3) On all over \$86,910 ~~\$110,700~~, but not over \$340,700, 7.85 percent;
- (4) On all over \$340,700, 8.49 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), and (16) to (18)~~ (5) to (9), (11), and (12), 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), (16), and (17)~~ (6), (7), (11), (12), (14), and (15), 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), and (16) to (18)~~ (5) to (9), (11), and (12), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), ~~(8), (9), (13), (14), (16), and (17)~~ (6), (7), (11), (12), (14), and (15).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 19. Minnesota Statutes 2012, section 290.06, subdivision 2d, is amended to read:

**Subd. 2d. Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2013, 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~~ 2012, and before January 1, ~~2004~~ 2014.

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~~ 2012" shall be substituted for the word "1992." For ~~2004~~ 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2012, to the 12 months ending on August 31, ~~2000~~ 2013, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2012, 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.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 20. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision to read:

**Subd. 36. Charitable contributions credit.** (a) A taxpayer, other than a corporation, estate, or trust, is allowed a credit against the tax imposed by this chapter equal to eight percent of the amount by which eligible charitable contributions exceed the greater of:

- (1) two percent of the taxpayer's adjusted gross income for the taxable year; or
- (2) \$400 (\$800 for married filing jointly).

(b) For purposes of this subdivision, "eligible charitable contributions" means charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, subject to the limitations of section 170(b) of the Internal Revenue Code, and determined without regard to whether or not the taxpayer itemizes deductions.

(c) For purposes of this subdivision, "adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 21. Minnesota Statutes 2012, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause ~~(9)~~ (7), the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(10)~~ (11) ~~(8)~~ (9), are not considered "earned income not subject to tax under this chapter."

For residents of Minnesota, 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."

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 22. Minnesota Statutes 2012, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount of deducted for tuition expenses required to be added to income under section 290.01, subdivision 19a, clause (12) under section 222 of the Internal Revenue Code; and

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code; and.

**(xvii) unemployment compensation.**

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

- (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- (2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;
- (3) surplus food or other relief in kind supplied by a governmental agency;
- (4) relief granted under chapter 290A;
- (5) child support payments received under a temporary or final decree of dissolution or legal separation; and
- (6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 23. Minnesota Statutes 2012, 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), 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)~~ ~~(8) and (9)~~, are not considered "earned income not subject to tax under this chapter."

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

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, and for tax years beginning after December 31, 2017, the \$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, 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 January 1, 2012, and for tax years beginning after December 31, 2012, and before January 1, 2018, 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 \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, and for tax years beginning after December 31, 2012, and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 24. Minnesota Statutes 2012, 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 (21), and one half of the addition that would have been required under section 290.01, subdivision 19a, clause (21), if the taxpayer had claimed the standard deduction.~~

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 25. Minnesota Statutes 2012, section 290.0677, subdivision 2, is amended to read:

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

(b) "Designated area" means a:

(1) combat zone designated by Executive Order from the President of the United States;

(2) qualified hazardous duty area, designated in Public Law; or

(3) location certified by the U.S. Department of Defense as eligible for combat zone tax benefits due to the location's direct support of military operations.

(c) "Active military service" means active duty service in any of the United States armed forces, the National Guard, or reserves.

(d) "Qualified individual" means an individual who has:

(1) ~~either (i) met one of the following criteria:~~

~~(i) has served at least 20 years in the military or;~~

~~(ii) has a service-connected disability rating of 100 percent for a total and permanent disability; or~~

~~(iii) has been determined by the military to be eligible for compensation from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 1273; and~~

(2) separated from military service before the end of the taxable year.

(e) "Adjusted gross income" has the meaning given in section 61 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 26. Minnesota Statutes 2012, section 290.068, subdivision 3, is amended to read:

**Subd. 3. Limitation; carryover.** (a)(1) The credit for a taxable year beginning before January 1, 2010, and after December 31, 2012, shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under section 290.06, subdivision 1, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(2) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 27. Minnesota Statutes 2012, section 290.068, subdivision 6a, is amended to read:

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 28. Minnesota Statutes 2012, section 290.0681, subdivision 1, is amended to read:

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

(b) "Account" means the historic credit administration account in the special revenue fund.

(c) "Office" means the State Historic Preservation Office of the Minnesota Historical Society.

(d) "Project" means rehabilitation of a certified historic structure, as defined in section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a federal credit ~~under section 47(a)(2) of the Internal Revenue Code~~.

(e) "Society" means the Minnesota Historical Society.

(f) "Federal credit" means the credit allowed under section 47(a)(2) of the Internal Revenue Code.

(g) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

(h) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the Internal Revenue Code.

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

Sec. 29. Minnesota Statutes 2012, section 290.0681, subdivision 3, is amended to read:

**Subd. 3. Applications; allocations.** (a) To qualify for a credit or grant under this section, the developer of a project must apply to the office before the rehabilitation begins. The application must contain the information and be in the form prescribed by the office. The office may collect a fee for application of up to \$5,000, based on 0.5 percent of estimated qualified rehabilitation expenses, not to exceed \$35,000, to offset costs associated with personnel and administrative expenses related to administering the credit and preparing the economic impact report in subdivision 9. Application fees are deposited in the account. The application must indicate if the application is for a credit or a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying for the credit or the recipient of the grant.

(b) Upon approving an application for credit, the office shall issue allocation certificates that:

(1) verify eligibility for the credit or grant;

(2) state the amount of credit or grant anticipated with the project, with the credit amount equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated in the application;

(3) state that the credit or grant allowed may increase or decrease if the federal credit the project receives at the time it is placed in service is different than the amount anticipated at the time the allocation certificate is issued; and

(4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or grant recipient is entitled to receive the credit or grant at the time the project is placed in service, provided that date is within three calendar years following the issuance of the allocation certificate.

(c) The office, in consultation with the commissioner of revenue, shall determine if the project is eligible for a credit or a grant under this section and must notify the developer in writing of its determination. Eligibility for the credit is subject to review and audit by the commissioner of revenue.

(d) The federal credit recapture and repayment requirements under section 50 of the Internal Revenue Code do not apply to the credit allowed under this section.

(e) Any decision of the office under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 45 days of the date of written notification by the office.

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

Sec. 30. Minnesota Statutes 2012, section 290.0681, subdivision 4, is amended to read:

**Subd. 4. Credit certificates; grants.** (a)(1) The developer of a project for which the office has issued an allocation certificate must notify the office when the project is placed in service. Upon verifying that the project has been placed in service, and was allowed a federal credit, the office must issue a credit certificate to the taxpayer designated in the application or must issue a grant to the recipient designated in the application. The credit certificate must state the amount of the credit.

(2) The credit amount equals the federal credit allowed for the project.

(3) The grant amount equals 90 percent of the federal credit allowed for the project.

(b) The recipient of a credit certificate may assign the certificate to another taxpayer, which is then allowed the credit under this section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

(c) Credits passed through to partners, members, shareholders, or owners pursuant to subdivision 5 are not an assignment of a credit certificate under this subdivision.

(d) A grant agreement between the office and the recipient of a grant may allow the grant to be issued to another individual or entity.

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

Sec. 31. Minnesota Statutes 2012, section 290.0681, subdivision 5, is amended to read:

**Subd. 5. Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

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

Sec. 32. **[290.0693] VETERANS JOBS TAX CREDIT.**

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

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

(c) "Disabled veteran" is a veteran who has had a service-connected disability rating as adjudicated by the United States Veterans Administration, or by the retirement board of one of the several branches of the armed forces.

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

(i) the employee is a resident of Minnesota on the date of hire;

(ii) the employee is paid wages as defined in section 290.92, subdivision 1; and

(iii) the employee's wages are attributable to Minnesota under section 290.191, subdivision 12;

(2) Qualified employee does not include:

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

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

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

(e) "Qualified employer" means an employer that hired a disabled veteran, or an unemployed veteran as a qualified employee.

(f) "Unemployed veteran" is a veteran who:

(1) received unemployment compensation under state or federal law at any time during the two-year period prior to the date of hire; and

(2) was unemployed on the date of hire.

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

Subd. 2. Credit allowed. (a) A qualified employer is allowed a credit for each of the following individuals that the qualified employer hires as a qualified employee during taxable years beginning after December 31, 2012, and before January 1, 2017:

(1) a disabled veteran; or

(2) an unemployed veteran.

(b) Subject to the requirements of this section, there is no limit to the number of credits that a qualified employer may claim under this section during a taxable year.

(c) A qualified employer may claim the credit either for the taxable year in which the qualified employee is hired, or in the next taxable year, but may claim the credit only once for each qualified employee.

Subd. 3. Credit amount for hiring certain veterans. (a) A qualified employer who is required to file a return under section 289A.08, subdivision 1, 2, or 3, is allowed a credit against the tax imposed by this chapter as determined under this subdivision.

(b) For hiring a disabled veteran as a qualified employee, the credit equals ten percent of the wages paid to the qualified employee during the taxable year, but the amount of the credit shall not exceed \$1,200.

(c) For hiring an unemployed veteran as a qualified employee, the credit equals ten percent of the wages paid to the qualified employee during the taxable year, but the amount of the credit shall not exceed \$600.

(d) The credit is limited to the liability for tax under this chapter for the taxable year.

(e) A qualified employer is allowed only one of the credits authorized under paragraphs (b) and (c) upon hiring a disabled veteran, or an unemployed veteran as a qualified employee.

(f) A qualified employer may not claim a credit under this subdivision for hiring a disabled veteran, or an unemployed veteran as a qualified employee if the qualified employer currently employs or has previously employed the disabled veteran, or unemployed veteran.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 33. Minnesota Statutes 2012, section 290.091, subdivision 2, is amended to read:

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

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

~~(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;~~

~~(ii) (i) the medical expense deduction;~~

~~(iii) (ii) the casualty, theft, and disaster loss deduction; and~~

~~(iv) (iii) the impairment-related work expenses of a disabled person;~~

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, clauses ~~(7) to (9), (12), (13), and (16) to (18)~~ (7) to (9), (11), and (12):

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses ~~(6), (8) to (14), and (16)~~ (6) to (12), (14), and (18); and

(5) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 34. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(15)~~ (12), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

~~(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.~~

~~(7) (6) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.~~

~~(8) (7) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).~~

~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

~~(10)~~ (9) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 35. Minnesota Statutes 2012, 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:

<del>less than</del>	\$500,000	\$0
\$500,000 to	\$999,999	\$100
\$1,000,000 to	\$4,999,999	\$300
\$5,000,000 to	\$9,999,999	\$1,000
\$10,000,000 to	\$19,999,999	\$2,000
\$20,000,000 or <del>more</del>		\$5,000

<u>less than</u>	<u>\$930,000</u>	<u>\$0</u>
<u>\$930,000</u> to	<u>\$1,869,999</u>	<u>\$190</u>
<u>\$1,870,000</u> to	<u>\$9,339,999</u>	<u>\$560</u>
<u>\$9,340,000</u> to	<u>\$18,679,999</u>	<u>\$1,870</u>
<u>\$18,680,000</u> to	<u>\$37,359,999</u>	<u>\$3,740</u>
<u>\$37,360,000</u> or	<u>more</u>	<u>\$9,340</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:

<u>less than</u>	<u>\$500,000</u>	<u>\$0</u>
<u>\$500,000</u> to	<u>\$999,999</u>	<u>\$100</u>
<u>\$1,000,000</u> to	<u>\$4,999,999</u>	<u>\$300</u>
<u>\$5,000,000</u> to	<u>\$9,999,999</u>	<u>\$1,000</u>
<u>\$10,000,000</u> to	<u>\$19,999,999</u>	<u>\$2,000</u>
<u>\$20,000,000</u>	<u>or more</u>	<u>\$5,000</u>
<u>less than</u>	<u>\$930,000</u>	<u>\$0</u>
<u>\$930,000</u> to	<u>\$1,869,999</u>	<u>\$190</u>
<u>\$1,870,000</u> to	<u>\$9,339,999</u>	<u>\$560</u>
<u>\$9,340,000</u> to	<u>\$18,679,999</u>	<u>\$1,870</u>
<u>\$18,680,000</u> to	<u>\$37,359,999</u>	<u>\$3,740</u>
<u>\$37,360,000</u>	<u>or more</u>	<u>\$9,340</u>

(c) The commissioner shall adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" must be substituted for the word "1992." For 2014, the commissioner shall determine the percentage change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, 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 contained in chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 36. Minnesota Statutes 2012, 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 does not deemed to exist when a corporation is two or more corporations are 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 corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis. 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). The legislature intends that the provisions of this paragraph are not severable from the provisions of section 290.01, subdivision 5, clauses (4) and (5), and if any of those provisions are found to be unconstitutional, the provisions of this paragraph are void for the respective taxable years.

(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.

~~(h) (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.

~~(i) (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. All sales of the unitary business made within Minnesota pursuant to section 290.191 or 290.20 must be included on the separate combined report of a corporation that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

~~(j) (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, 2012.

Sec. 37. Minnesota Statutes 2012, section 290.21, subdivision 4, is amended to read:

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

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

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

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

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

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

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

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

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

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

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

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

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 38. Minnesota Statutes 2012, section 290A.03, subdivision 15, as amended by Laws 2013, chapter 3, section 5, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2012, and after December 31, 2012,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through April 14, 2011; and ~~for taxable years beginning after December 31, 2011, and before January 1, 2013,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through January 3, 2013.

**EFFECTIVE DATE.** This section is effective for property tax refunds based on property taxes payable after December 31, 2013, and rent paid after December 31, 2012.

Sec. 39. Minnesota Statutes 2012, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses are included in gross income. The allowable deductions from a mine or plant that mines and produces more than one mineral, metal, or energy resource must be determined separately for the purposes of computing the deduction in section 290.01, subdivision 19c, clause ~~(9)~~ (8). These deductions may be combined on one occupation tax return to arrive at the deduction from gross income for all production.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d, clauses (7) and (11), are not used to determine taxable income.

Sec. 40. **ESTIMATED TAXES; EXCEPTIONS.**

No addition to tax, penalties, or interest may be made under Minnesota Statutes, section 289A.25, for any period before September 15, 2013, with respect to an underpayment of estimated tax, to the extent that the underpayment was created or increased by the increase in income tax rates under this article.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 41. **REPEALER.**

Minnesota Statutes 2012, sections 290.01, subdivision 6b; 290.06, subdivision 22a; 290.0672; and 290.0921, subdivision 7, are repealed.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

## ARTICLE 7 ESTATE AND GIFT TAXES

Section 1. Minnesota Statutes 2012, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

- (1) a federal estate tax return is required to be filed; or

(2) the sum of the federal gross estate and federal adjusted taxable gifts made within three years of the date of the decedent's death exceeds \$1,000,000.

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2012.

Sec. 2. Minnesota Statutes 2012, 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 April 14, 2014 January 3, 2013, but without regard to the provisions of sections 501 and 901 of Public Law 107-16, as amended by Public Law 111-312, and section 301(e) of Public Law 111-312 section 2011, paragraph (f), of the Internal Revenue Code.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, plus

(i) the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code;

(ii) the amount of taxable gifts, as defined in section 292.16, and made by the decedent within three years of the decedent's date of death; less

(iii) (A) the value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or (B) \$4,000,000, whichever is less.

(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:

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

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

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

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property 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 to the extent the property is includable in the decedent's federal gross estate.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2012.

Sec. 3. Minnesota Statutes 2012, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the proportion of the maximum credit for state death taxes computed under section 2011 of the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of federal adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal gross estate. The tax is reduced by:

(1) the gift tax paid by the decedent under section 292.17 on gifts included in the Minnesota adjusted gross estate and not subtracted as qualified farm or small business property; and

(2) any credit allowed under subdivision 1c.

(b) The tax determined under this subdivision must not be greater than the sum of the following amounts multiplied by a fraction, the numerator of which is the Minnesota gross estate and the denominator of which is the federal gross estate:

(1) the rates and brackets under section 2001(c) of the Internal Revenue Code multiplied by the sum of:

(i) the taxable estate, as defined under section 2051 of the Internal Revenue Code; plus

(ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue Code; less

(iii) the lesser of (A) the sum of the value of qualified small business property under subdivision 9, and the value of qualified farm property under subdivision 10, or (B) \$4,000,000; less

(2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue Code; and less

(3) the federal credit allowed under section 2010 of the Internal Revenue Code.

(c) For purposes of this subdivision, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2000.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2012.

Sec. 4. Minnesota Statutes 2012, section 291.03, is amended by adding a subdivision to read:

**Subd. 1c. Nonresident decedent tax credit.** (a) The estate of a nonresident decedent that is subject to tax under this chapter on the value of Minnesota situs property held in a pass-through entity is allowed a credit against the tax due under this section equal to the lesser of:

(1) the amount of estate or inheritance tax paid to another state that is attributable to the Minnesota situs property held in the pass-through entity; or

(2) the amount of tax paid under this section attributable to the Minnesota situs property held in the pass-through entity.

(b) The amount of tax attributable to the Minnesota situs property held in the pass-through entity must be determined by the increase in the estate or inheritance tax that results from including the market value of the property in the estate or treating the value as a taxable inheritance to the recipient of the property.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2012.

Sec. 5. Minnesota Statutes 2012, section 291.03, subdivision 8, is amended to read:

**Subd. 8. Definitions.** (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code, or a trust whose present beneficiaries are all family members as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property from upon the death of the decedent and satisfies the requirement under subdivision 9, clause ~~(6)~~ (7), or subdivision 10, clause ~~(4)~~ (5), for the property.

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

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

Sec. 6. Minnesota Statutes 2012, section 291.03, subdivision 9, is amended to read:

**Subd. 9. Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. ~~The decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469 of the Internal Revenue Code during the taxable year that ended before the date of the decedent's death.~~ Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(4) (5) The property does not consist of cash or cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business. For property consisting of shares of stock or other ownership interests in an entity, the amount value of cash or cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

(5) (6) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent.

(6) ~~A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.~~

(7) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

(8) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

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

Sec. 7. Minnesota Statutes 2012, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of ~~a farm meeting the requirements of agricultural land as defined in section 500.24, subdivision 2, paragraph (g), and is owned by a person or entity that is not excluded from owning agricultural land by section 500.24, and was classified for property tax purposes as the homestead of the decedent or the decedent's spouse or both under section 273.124, and as class 2a property under section 273.13, subdivision 23.~~

(3) ~~For property taxes payable in the taxable year of decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.~~

(4) ~~The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not excluded from owning agricultural land under section 500.24.~~

(4) ~~A family member continuously uses the property in the operation of the trade or business (5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.~~

(5) ~~(6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.~~

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

Sec. 8. Minnesota Statutes 2012, section 291.03, subdivision 11, is amended to read:

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to ~~use the qualified property which was acquired or passed from the decedent satisfy the requirement under subdivision 9, clause (7); or 10, clause (5)~~, an additional estate tax is imposed on the property. ~~In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.~~

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

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

Sec. 9. **[292.16] DEFINITIONS.**

(a) For purposes of this chapter, the following definitions apply.

(b) The definitions of terms defined in section 291.005 apply.

(c) "Resident" has the meaning given in section 290.01.

(d) "Taxable gifts" means:

(1) the transfers by gift which are included in taxable gifts for federal gift tax purposes under the following sections of the Internal Revenue Code:

- (i) section 2503;
- (ii) sections 2511 to 2514; and
- (iii) sections 2516 to 2519; less

(2) the deductions allowed in sections 2522 to 2524 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 10. **[292.17] GIFT TAX.**

Subdivision 1. **Imposition.** (a) A tax is imposed on the transfer of property by gift by any individual resident or nonresident in an amount equal to ten percent of the amount of the taxable gift.

(b) The donor is liable for payment of the tax. If the gift tax is not paid when due, the donee of any gift is personally liable for the tax to the extent of the value of the gift.

Subd. 2. **Lifetime credit.** A credit is allowed against the tax imposed under this section equal to \$100,000. This credit applies to the cumulative amount of taxable gifts made by the donor during the donor's lifetime.

Subd. 3. **Out-of-state gifts.** Taxable gifts exclude the transfer of:

- (1) real property located outside of this state;
- (2) tangible personal property that was normally kept at a location outside of the state on the date the gift was executed; and
- (3) intangible personal property made by an individual who is not a resident.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 11. **[292.18] RETURNS.**

(a) Any individual who makes a taxable gift during the taxable year shall file a gift tax return in the form and manner prescribed by the commissioner.

(b) If the donor dies before filing the return, the executor of the donor's will or the administrator of the donor's estate shall file the return. If the donor becomes legally incompetent before filing the return, the guardian or conservator shall file the return.

(c) The return must include:

- (1) each gift made during the calendar year which is to be included in computing the taxable gifts;
- (2) the deductions claimed and allowable under section 292.16, paragraph (d), clause (2);
- (3) a description of the gift, and the donee's name, address, and Social Security number;

- (4) the fair market value of gifts not made in money; and  
(5) any other information the commissioner requires to administer the gift tax.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 12. **[292.19] FILING REQUIREMENTS.**

Gift tax returns must be filed by the April 15 following the close of the calendar year, except if a gift is made during the calendar year in which the donor dies, the return for the donor must be filed by the last date, including extensions, for filing the gift tax return for federal gift tax purposes for the donor.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 13. **[292.20] APPRAISAL OF PROPERTY; DECLARATION BY DONOR.**

The commissioner may require the donor or the donee to show the property subject to the tax under section 292.17 to the commissioner upon demand and may employ a suitable person to appraise the property. The donor shall submit a declaration, in a form prescribed by the commissioner and including any certification required by the commissioner, that the property shown by the donor on the gift tax return includes all of the property transferred by gift for the calendar year and not deductible under section 292.16, paragraph (d), clause (2).

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 14. **[292.21] ADMINISTRATIVE PROVISIONS.**

Subdivision 1. **Payment of tax; penalty for late payment.** The tax imposed under section 292.17 is due and payable to the commissioner by the April 15 following the close of the calendar year during which the gift was made. The return required under section 292.19 must be included with the payment. If a taxable gift is made during the calendar year in which the donor dies, the due date is the last date, including extensions, for filing the gift tax return for federal gift tax purposes for the donor. If any person fails to pay the tax due within the time specified under this section, a penalty applies equal to ten percent of the amount due and unpaid or \$100, whichever is greater. The unpaid tax and penalty bear interest at the rate under section 270C.40 from the due date of the return.

Subd. 2. **Extensions.** The commissioner may, for good cause, extend the time for filing a gift tax return, if a written request is filed with a tentative return accompanied by a payment of the tax, which is estimated in the tentative return, on or before the last day for filing the return. Any person to whom an extension is granted must pay, in addition to the tax, interest at the rate under section 270C.40 from the date on which the tax would have been due without the extension.

Subd. 3. **Changes in federal gift tax.** If the amount of a taxpayer's taxable gifts for federal gift tax purposes, as reported on the taxpayer's federal gift tax return for any calendar year, is changed or corrected by the Internal Revenue Service or other officer of the United States or other competent authority, the taxpayer shall report the change or correction in federal taxable gifts within 180 days after the final determination of the change or correction, and concede the accuracy of the determination or provide a letter detailing how the federal determination is incorrect or does not change the Minnesota gift tax. Any taxpayer filing an amended federal gift tax return shall also file within 180 days an amended return under this chapter and shall include any information the commissioner requires. The time for filing the report or amended return may be extended by the commissioner upon due cause shown. Notwithstanding any limitation of time in this chapter, if, upon examination, the commissioner finds that the taxpayer is liable for the payment of an additional tax, the commissioner shall, within a reasonable time from the receipt of the report or amended return, notify the taxpayer of the amount of additional tax, together with interest

computed at the rate under section 270C.40 from the date when the original tax was due and payable. Within 30 days of the mailing of the notice, the taxpayer shall pay the commissioner the amount of the additional tax and interest. If, upon examination of the report or amended return and related information, the commissioner finds that the taxpayer has overpaid the tax due the state, the commissioner shall refund the overpayment to the taxpayer.

Subd. 4. Application of federal rules. In administering the tax under this chapter, the commissioner shall apply the provisions of sections 2701 to 2704 of the Internal Revenue Code. The words "secretary or his delegate," as used in those sections of the Internal Revenue Code, mean the commissioner.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

**Sec. 15. [292.22] CREDIT AGAINST ESTATE TAX.**

A credit is allowed against the estate tax imposed under chapter 291 in the amount of any tax imposed and paid under this chapter for a gift includable in the Minnesota adjusted taxable estate of the donor under section 291.005.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

**ARTICLE 8**  
**SALES AND USE TAX; LOCAL SALES TAXES**

Section 1. Minnesota Statutes 2012, section 297A.61, subdivision 3, is amended to read:

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

(b) Sale and purchase include:

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

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

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

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

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy;

(4) dietary supplements; and

(5) all food sold through vending machines.

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

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

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

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, including seat licenses, the rental of box seats, suites, sky boxes, and similar facilities 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. 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 effective for sales made after June 30, 2013.

Sec. 2. Minnesota Statutes 2012, section 297A.61, subdivision 4, is amended to read:

**Subd. 4. Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) Except as otherwise provided in this paragraph, a sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale. A sale of coin-operated entertainment and amusement machines, including, but not limited to, fortune-telling machines, cranes, foosball and pool tables, video and pinball games, batting cages, rides, photo or video booths, and jukeboxes is a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or; (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 11, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed; or (3) for rent-to-own or lease-to-own used vehicles where the lessee may purchase or return the vehicle at any time without penalty, at the time each payment is made under the terms of the agreement.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

(n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or body shop business is a retail sale and the sales tax is imposed on the gross receipts from the retail sale of the paint and materials. The motor vehicle repair or body shop that purchases motor vehicle repair paint and motor vehicle repair materials for resale must either:

(1) separately state each item of paint and each item of materials, and the sales price of each, on the invoice to the purchaser; or

(2) in order to calculate the sales price of the paint and materials, use a method which estimates the amount and monetary value of the paint and materials used in the repair of the motor vehicle by multiplying the number of labor hours by a rate of consideration for the paint and materials used in the repair of the motor vehicle following industry standard practices that fairly calculate the gross receipts from the retail sale of the motor vehicle repair paint and motor vehicle repair materials. An industry standard practice fairly calculates the gross receipts if the sales price of the paint and materials used or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid by the motor vehicle repair or body shop business. Under this clause, the invoice must either separately state the "paint and materials" as a single taxable item, or separately state "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to wholesale transactions at an auto auction facility.

(o) A payment made to a cooperative electric association or public utility as a contribution in aid of construction is a contract for improvement to real property and is not a retail sale.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 3. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 49. **Motor vehicle repair paint and motor vehicle repair materials.** "Motor vehicle repair paint" means a substance composed of solid matter suspended in a liquid medium and applied as a protective or decorative coating to the surface of a motor vehicle in order to restore the motor vehicle to its original condition, and includes primer, body paint, clear coat, and paint thinner used to paint motor vehicles, as defined in section 297B.01.

"Motor vehicle repair materials" means items, other than motor vehicle repair paint or motor vehicle parts, that become a part of a repaired motor vehicle or are consumed in repairing the motor vehicle at retail, and include abrasives, battery water, body filler or putty, bolts and nuts, brake fluid, buffering pads, chamois, cleaning compounds, degreasing compounds, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape,

oxygen and acetylene, polishes, rags, razor blades, sandpaper, sanding discs, scuff pads, sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods. Motor vehicle repair materials do not include items that are not used directly on the motor vehicle, such as floor dry that is used to clean the shop, or cleaning compounds and rags that are used to clean tools, equipment, or the shop and are not used to clean the motor vehicle.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 4. Minnesota Statutes 2012, section 297A.64, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** (a) 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 9.2 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.

(b) The provisions of this subdivision do not apply to the vehicles of a nonprofit corporation or similar entity, consisting of members who pay the organization for the use of a motor vehicle, if the organization:

(1) owns or leases a fleet of vehicles of the type subject to the tax under paragraph (a) that are available to its members for use, priced on the basis of intervals of one hour or less;

(2) parks its vehicles at unstaffed, self-service locations that are accessible to its members at any time; and

(3) maintains its vehicles, insures its vehicles on behalf of its members, and purchases fuel for its fleet.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 5. Minnesota Statutes 2012, section 297A.64, subdivision 2, is amended to read:

Subd. 2. **Fee imposed.** (a) A fee equal to five percent of the sales price is imposed on leases or rentals of vehicles subject to the tax under subdivision 1, paragraph (a). The lessor on the invoice to the customer may designate the fee as "a fee imposed by the State of Minnesota for the registration of rental cars."

(b) The provisions of this subdivision do not apply to the vehicles of a nonprofit corporation or similar entity, consisting of individual or group members who pay the organization for the use of a motor vehicle, if the organization:

(1) owns or leases a fleet of vehicles of the type subject to the tax under subdivision 1 that are available to its members for use, priced on the basis of intervals of one hour or less;

(2) parks its vehicles at unstaffed, self-service locations that are accessible at any time of the day;

(3) maintains its vehicles, insures its vehicles on behalf of its members, and purchases fuel for its fleet; and

(4) does not charge usage rates that decline on a per unit basis, whether specified based on distance or time exempt from the tax imposed under subdivision 1, paragraph (b).

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 6. Minnesota Statutes 2012, 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 are 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. For purposes of this paragraph, gross receipts means 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.

(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 the business in this state.

(e) This subdivision does not apply to chapter 290 and does not expand or contract the jurisdiction to tax a trade or business under chapter 290.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 7. Minnesota Statutes 2012, section 297A.668, is amended by adding a subdivision to read:

Subd. 6a. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the digital good, computer software delivered electronically, or service will be concurrently available for use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase a multiple points of use exemption certificate disclosing this fact.

(b) Upon receipt of the multiple points of use certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent sale's specific apportionment that is governed by the principle of paragraph (c) and the facts existing at the time of the sale.

(e) A holder of a direct pay permit is not required to deliver a multiple points of use exemption certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one jurisdiction.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 8. Minnesota Statutes 2012, section 297A.67, subdivision 7, is amended to read:

**Subd. 7. Drugs; medical devices.** (a) Sales of the following drugs and medical devices for human use are exempt:

- (1) drugs, including over-the-counter drugs;
- (2) single-use finger-pricking devices for the extraction of blood and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes;
- (3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;
- (4) prosthetic devices;
- (5) durable medical equipment for home use only;
- (6) mobility enhancing equipment;
- (7) prescription corrective eyeglasses; and
- (8) kidney dialysis equipment, including repair and replacement parts.

**(b) Items purchased in transactions covered by:**

- (1) Medicare as defined under title XVIII of the Social Security Act, United States Code, title 42, sections 1395, et seq.; or
- (2) Medicaid as defined under title XIX of the Social Security Act, United States Code, title 42, sections 1396, et seq.

**¶(c) For purposes of this subdivision:**

(1) "Drug" means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages that is:

- (i) recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them;
- (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or
- (iii) intended to affect the structure or any function of the body.

(2) "Durable medical equipment" means equipment, including repair and replacement parts and all accessories and supplies, including single patient use items required for the effective use of the durable medical equipment device, but not including mobility enhancing equipment, that:

- (i) can withstand repeated use;
- (ii) is primarily and customarily used to serve a medical purpose;
- (iii) generally is not useful to a person in the absence of illness or injury; and
- (iv) is not worn in or on the body.

For purposes of this clause, "repair and replacement parts" includes all components or attachments used in conjunction with the durable medical equipment, ~~but does not include~~ including repair and replacement parts which are for single patient use only.

(3) "Mobility enhancing equipment" means equipment, including repair and replacement parts, but not including durable medical equipment, that:

- (i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;
- (ii) is not generally used by persons with normal mobility; and
- (iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label must include a "drug facts" panel or a statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation. Over-the-counter drugs do not include grooming and hygiene products, regardless of whether they otherwise meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

(5) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

(6) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, and all necessary accessories, supplies, and items required for the effective use of the prosthetic device, worn on or in the body to:

- (i) artificially replace a missing portion of the body;
- (ii) prevent or correct physical deformity or malfunction; or
- (iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

(7) "Kidney dialysis equipment" means equipment that:

- (i) is used to remove waste products that build up in the blood when the kidneys are not able to do so on their own; and
- (ii) can withstand repeated use, including multiple use by a single patient, notwithstanding the provisions of clause (2).

(8) A transaction is covered by Medicare or Medicaid if any portion of the cost of the item purchased in the transaction is paid for or reimbursed by the federal government or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private insurance company administering the Medicare or Medicaid program on behalf of the federal government or the state of Minnesota, or by a managed care organization for the benefit of a patient enrolled in a prepaid program that furnishes medical services in lieu of conventional Medicare or Medicaid coverage pursuant to agreement with the federal government or the state of Minnesota.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 9. Minnesota Statutes 2012, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

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

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

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

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

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

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

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

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

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

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

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after June 30, 2012.

Sec. 10. Minnesota Statutes 2012, section 297A.70, subdivision 8, is amended to read:

**Subd. 8. Regionwide Public safety radio communication system systems; products and services.** (a) Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to 403.40, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.

(b) Products and services, including, but not limited to, end-user equipment used for construction, ownership, operation, maintenance, and enhancement of public safety radio communication systems not already exempt under paragraph (a), including public safety radio dispatch centers, are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 11. Minnesota Statutes 2012, section 297A.70, is amended by adding a subdivision to read:

**Subd. 9a. Established religious orders.** (a) Sales of lodging, prepared food, candy, soft drinks, and alcoholic beverages at noncatered events between an established religious order and an affiliated institution of higher education are exempt.

(b) For purposes of this subdivision, "established religious order" means an organization directly or indirectly under the control or supervision of a church or convention or association of churches, where members of the organization:

(1) normally live together as part of a community;

(2) make long-term commitments to live under a strict set of moral and spiritual rules; and

(3) work or engage full time in a combination of prayer, religious study, church reform or renewal, or other religious, educational, or charitable goals of the organization.

(c) For purposes of this subdivision, an institution of higher education is "affiliated" with an established religious order if members of the religious order are represented on the governing board of the institution of higher education and the two organization share campus space and common facilities.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after June 30, 2012.

Sec. 12. Minnesota Statutes 2012, section 297A.70, is amended by adding a subdivision to read:

**Subd. 18. Nursing homes and boarding care homes.** (a) All sales, except those listed in paragraph (b), to a nursing home licensed under section 144A.02 or a boarding care home certified as a nursing facility under title 19 of the Social Security Act are exempt if the facility:

(1) is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code; and

(2) is certified to participate in the medical assistance program under title 19 of the Social Security Act, or certifies to the commissioner that it does not discharge residents due to the inability to pay.

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

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

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

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2; and

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

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

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

(2) intended to be used primarily to transport tangible personal property or residents of the nursing home or boarding care home.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 13. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

**Subd. 45. Industrial measurement manufacturing and controls facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, fixtures installed in, and privately owned infrastructure in support of the construction, improvement, or expansion of an industrial measurement manufacturing and controls facility are exempt if:

(1) the total capital investment made at the facility is at least \$60,000,000;

(2) the facility employs at least 250 full-time equivalent employees that are not employees currently employed by the company in the state; and

(3) the Department of Employment and Economic Development determines that the expansion, remodeling, or improvement of the facility has a significant impact on the state economy.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivisions 1 and 1a, applied and refunded in the manner provided in section 297A.75, only after the following criteria are met:

(1) a refund may not be issued until the owner of the facility has received certification from the Department of Employment and Economic Development that the company meets the requirements in paragraph (a); and

(2) to receive the refund, the owner of the industrial measurement manufacturing and controls facility must initially apply to the Department of Employment and Economic Development for certification no later than one year from the final completion date of construction, improvement, or expansion of the industrial measurement manufacturing and controls facility.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013, and before December 31, 2015.

Sec. 14. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

**Subd. 46. Building materials; resorts and recreational camping areas.** Materials and supplies used or consumed in, and equipment incorporated into, the improvement of an existing structure located at a resort, as defined in section 157.15, subdivision 11, or recreational camping area, as defined in section 327.14, are exempt. The tax on purchases exempt under this provision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. For purposes of this subdivision, a structure includes a cabin located on resort property and any other structure available for use by guests of the resort or recreational camping area.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 15. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

**Subd. 47. Biopharmaceutical manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of a biopharmaceutical manufacturing facility in the state are exempt if the following criteria are met:

(1) the facility is used for the manufacturing of biologics;

(2) the total capital investment made at the facility exceeds \$50,000,000; and

(3) the facility creates and maintains at least 190 full-time equivalent positions at the facility. These positions must be new jobs in Minnesota and not the result of relocating jobs that currently exist in Minnesota.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and refunded in the manner provided in section 297A.75.

(c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility must:

(1) initially apply to the Department of Employment and Economic Development for certification no later than one year from the final completion date of construction, improvement, or expansion of the facility; and

(2) for each year that the owner of the biopharmaceutical manufacturing facility applies for a refund, the owner must have received written certification from the Department of Employment and Economic Development that the facility has met the criteria of paragraph (a).

(d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund payable to date, with the commissioner making annual payments of the remaining refund until all of the refund has been paid.

(e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms or derivatives of living organisms, to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

**EFFECTIVE DATE.** This section is effective retroactively to investments entered into and jobs created after December 31, 2012, and effective retroactively for sales and purchases made after December 31, 2012, and before July 1, 2019.

Sec. 16. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (9) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (10) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- (11) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- (12) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- (13) materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41;
- (14) materials, supplies, and equipment for construction, improvement, or expansion of an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42, and construction, expansion, or improvement of an industrial measurement manufacturing and controls facility under section 297A.71, subdivision 45;

(15) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42; ~~and~~

(16) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44; ~~and~~

(17) materials, supplies, and equipment for structure improvements at resort and camping areas under section 297A.71, subdivision 46; and

(18) materials, supplies, and equipment for construction, improvement, or expansion of a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 47.

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

Sec. 17. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

**Subd. 2. Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

(2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (8), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (10), (13), (14), ~~and~~ (15), and (18), the owner of the qualifying business; ~~and~~

(8) for subdivision 1, clauses (11), (12), and (16), the applicant must be the governmental entity that owns or contracts for the project or facility; ~~and~~

(9) for subdivision 1, clause (17), the applicant must be the owner of the resort or recreational camping facility.

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

Sec. 18. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

**Subd. 3. Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), ~~or~~ (16), (17), or (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009. Applications for refunds for purchases of items in section 297A.71, subdivision 47, must not be filed until after June 30, 2016, and only one refund may be filed annually thereafter.

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

Sec. 19. Minnesota Statutes 2012, section 297A.815, subdivision 3, is amended to read:

**Subd. 3. Motor vehicle lease sales tax revenue.** (a) For purposes of this subdivision, "net revenue" means an amount equal to:

(1) the revenues, including interest and penalties, collected under this section and on the leases under section 297A.61, subdivision 4, paragraph (k), clause (3), during the fiscal year; less

(2) in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal year 2013 and following fiscal years, \$32,000,000.

(b) On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the revenues and subtraction under paragraph (a) for the current fiscal year.

(c) On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the net revenue as estimated in paragraph (b) from the general fund, as follows:

(1) 50 percent to the greater Minnesota transit account; and

(2) 50 percent to the county state-aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause.

(d) For fiscal years 2010 and 2011, the amount under paragraph (a), clause (1), must be calculated using the following percentages of the total revenues:

(1) for fiscal year 2010, 83.75 percent; and

(2) for fiscal year 2011, 93.75 percent.

**EFFECTIVE DATE.** This section is effective for leases entered into after June 30, 2013.

Sec. 20. Minnesota Statutes 2012, section 297A.993, subdivision 1, is amended to read:

**Subdivision 1. Authorization; rates.** Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or more than one county outside the metropolitan transportation area acting under a

joint powers agreement, may by resolution of the county board, or each of the county boards, following a public hearing impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority. The taxes imposed under this section are subject to approval by a majority of the voters in each of the counties affected at a general election who vote on the question to impose the taxes.

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

Sec. 21. Minnesota Statutes 2012, section 297A.993, subdivision 2, is amended to read:

Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated exclusively to: (1) payment of the capital cost of a specific transportation project or improvement; (2) payments of the costs, which may include both capital and operating costs, of a specific transit project or improvement; or (3) payment of transit operating costs. The transportation project or improvement must be designated by the board of the county, or more than one county acting under a joint powers agreement. Except for taxes for operating costs of a transit project or improvement, or for transit operations, the taxes must terminate after the project or improvement has been completed when revenues raised are sufficient to finance the project.

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

Sec. 22. Minnesota Statutes 2012, section 469.190, is amended by adding a subdivision to read:

Subd. 1a. **Tax base; locally collected taxes.** A tax imposed on the gross receipts from lodging under this section or under a special law applies to the same base as taxes collected by the commissioner of revenue under subdivision 7 and section 270C.171.

**EFFECTIVE DATE.** This section is effective the day following final enactment. In enacting this section, the legislature confirms its original intent in enacting Minnesota Statutes, section 469.190, its predecessor provisions, and any special laws authorizing political subdivisions to impose lodging taxes, and that those taxes were and are intended to apply to the entire consideration paid to obtain access to transient lodging, including ancillary or related services, such as services provided by accommodation intermediaries as defined in Minnesota Statutes, section 297A.61, and similar services. The provisions of this section must not be interpreted to imply a narrower construction of the tax base under lodging tax provisions of Minnesota law prior to the enactment of this section.

Sec. 23. Minnesota Statutes 2012, section 469.190, subdivision 7, is amended to read:

Subd. 7. **Collection.** (a) The statutory or home rule charter city may agree with the commissioner of revenue that a tax imposed pursuant to this section shall be collected by the commissioner together with the tax imposed by chapter 297A, and subject to the same interest, penalties, and other rules and that its proceeds, less the cost of collection, shall be remitted to the city.

(b) If a tax imposed under this section or under a special law is not collected by the commissioner of revenue, the local government imposing the tax may only require an accommodations intermediary, as defined in section 297A.61, subdivision 47, to file and remit the tax related to accommodations intermediary services once in every calendar year. The local government must inform the tax intermediary of the date when the return and remittance is due.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 24. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 40, Laws 1998, chapter 389, article 8, section 30, Laws 2003, First Special Session chapter 21, article 8, section 13, Laws 2005, First Special Session chapter 3, article 5, section 26, and Laws 2009, chapter 88, article 4, section 15, is amended to read:

**Subd. 2. Use of revenues.** Revenues received from the tax authorized by subdivision 1 may only be used by the city to pay the cost of collecting the tax, and, except as provided in paragraph (e), to pay for the following projects or to secure or pay any principal, premium, or interest on bonds issued in accordance with subdivision 3 for the following projects.

(a) To pay all or a portion of the capital expenses of construction, equipment and acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex, including the demolition of the existing arena and the construction and equipping of a new arena.

(b) Except as provided in paragraphs (e) and (f), the remainder of the funds must be spent for:

(1) capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods; and

(2) capital and operating expenses of cultural organizations in the city, provided that the amount spent under this clause must equal ten percent of the total amount spent under this paragraph in any year.

(c) The amount apportioned under paragraph (b) shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

(d) If in any year more than 40 percent of the revenue derived from the tax authorized by subdivision 1 is used to pay debt service on the bonds issued for the purposes of paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment that exceeds 40 percent of the revenue must be determined for that year. In any year when 40 percent of the revenue produced by the sales tax exceeds the amount required to pay debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the amount of the excess must be made available for capital projects to further residential, cultural, commercial, and economic development in the neighborhoods and downtown until the cumulative amounts determined for all years under the preceding sentence have been made available under this sentence. The amount made available as reimbursement in the preceding sentence is not included in the 60 percent determined under paragraph (c).

(e) In each of calendar years 2006 to 2014, revenue not to exceed \$3,500,000 may be used to pay the principal of bonds issued for capital projects of the city. After December 31, 2014, revenue from the tax imposed under subdivision 1 may not be used for this purpose. If the amount necessary to meet obligations under paragraphs (a) and (d) are less than 40 percent of the revenue from the tax in any year, the city may place the difference between 40 percent of the revenue and the amounts allocated under paragraphs (a) and (d) in an economic development fund to be used for any economic development purposes.

(f) By January 15 of each year, the mayor and the city council must report to the legislature on the use of sales tax revenues during the preceding one-year period.

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

Sec. 25. Laws 1993, chapter 375, article 9, section 46, subdivision 5, as amended by Laws 1998, chapter 389, article 8, section 32, is amended to read:

Subd. 5. **Expiration of taxing authority.** The authority granted by subdivision 1 to the city to impose a sales tax shall expire on December 31, ~~2030~~ 2042, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of projects approved under subdivision 2, paragraph (a) and retirement or redemption of any bonds or other obligations may be placed in the general fund of the city.

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

Sec. 26. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009, chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, is amended to read:

**Sec. 25. ROCHESTER LODGING TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city of Rochester may impose an additional tax of ~~one~~ three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon the approval of the city governing body of a total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

(b) The gross proceeds from the ~~one~~ three percent tax imposed under subdivision 1a shall be used to pay for (1) design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related infrastructure, including but not limited to, skyway access, lighting, parking, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed ~~\$43,500,000~~ \$50,000,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related infrastructure, including but not limited to, skyway, access, lighting, parking, and landscaping. The city may pledge the lodging tax authorized by subdivision 1a ~~and the food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23,~~ to the payment of the bonds. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city.

Subd. 3. **Expiration of taxing authority.** ~~The authority of the city to impose a tax under subdivision 1a shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping have been paid, including any bonds issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city. The city may, by ordinance, repeal the tax provided that:~~

(1) the revenues raised before the repeal are sufficient to meet all bond or other obligations backed by revenues of the tax; and

(2) the repeal date meets the requirements of section 297A.99, subdivision 12.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief fiscal officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 2, is amended to read:

Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by subdivision 1 by the city of St. Cloud must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, improvement, and securing and paying debt service on bonds or other obligations issued to finance the following regional projects as approved by the voters and specifically detailed in the referendum authorizing the tax or extending the tax:

- (1) St. Cloud Regional Airport;
- (2) regional transportation improvements;
- (3) regional community and aquatics and recreation centers and facilities;
- (4) regional public libraries; and
- (5) acquisition and improvement of regional park land and open space.

(b) Revenues received from the tax authorized by subdivision 1 by the cities of St. Joseph, Waite Park, Sartell, Sauk Rapids, and St. Augusta must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, improvement, and securing and paying debt service on bonds or other obligations issued to fund the projects specifically approved by the voters at the referendum authorizing the tax or extending the tax. The portion of revenues from the city going to fund the regional airport or regional library located in the city of St. Cloud will be as required under the applicable joint powers agreement.

(c) The use of revenues received from the taxes authorized in subdivision 1 for projects allowed under paragraphs (a) and (b) are limited to the amount authorized for each project under the enabling referendum.

**EFFECTIVE DATE.** This section is effective for a city that approves it the day after compliance by the governing body of that city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 4, is amended to read:

Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud, St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the city council determines that sufficient funds have been collected from the tax to retire or redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under subdivision 1 through December 31, 2038, if approved under the referendum authorizing the tax under subdivision 1 or if approved by voters of the city at a general election held no later than November 6, 2018.

**EFFECTIVE DATE.** This section is effective for a city that approves it the day after compliance by the governing body of that city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

**Subd. 3. Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring Street Park; improvements to and extension of the River County Bike Trail; acquisition, and construction, improvement, and development of regional parks, bicycle trails, park land, open space, and of a pedestrian walkways, as described in the city improvement plan adopted by the city council by resolution on December 12, 2006, and walkway over Interstate 94 and State Highway 24; and the acquisition of land and construction of buildings for a community and recreation center. The total amount of revenues from the taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000 plus any associated bond costs.

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

Sec. 30. Laws 2010, chapter 389, article 5, section 6, subdivision 4, is amended to read:

**Subd. 4. Use of lodging tax revenues.** The revenues derived from the tax imposed under subdivision 3 must be used by the city of Marshall to pay the costs of collecting and administering the lodging tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2. Authorized expenses include, but are not limited to, acquiring property; predesign; design; and paying construction, furnishing, and equipment costs related to these facilities and paying debt service on bonds or other obligations issued by the city.

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

Sec. 31. Laws 2010, chapter 389, article 5, section 6, subdivision 6, is amended to read:

**Subd. 6. Use of food and beverages tax.** The revenues derived from the tax imposed under subdivision 5 must be used by the city of Marshall to pay the costs of collecting and administering the food and beverages tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2. Authorized expenses for each organization include, but are not limited to, acquiring property; predesign; design; and paying construction, furnishing, and equipment costs related to these facilities and paying debt service on bonds or other obligations issued by the city.

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

Sec. 32. **CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

(a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Marshall may approve Laws 2010, chapter 389, article 5, section 6, as amended by Laws 2011, First Special Session chapter 7, article 4, section 9, and file its approval with the secretary of state by June 15, 2013. If approved as authorized under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 6, 2012, and otherwise in accordance with Laws 2010, chapter 389, article 5, section 6, as amended by Laws 2011, First Special Session chapter 7, article 4, section 9, are validated.

(b) Notwithstanding the time limit on the imposition of tax under Laws 2010, chapter 389, article 5, section 6, subdivision 1, as amended by Laws 2011, First Special Session chapter 7, article 4, section 9, and subject to local approval under paragraph (a), the city of Marshall may impose the tax on or before July 1, 2013.

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

**Sec. 33. CITY OF PROCTOR; VALIDATION OF PRIOR ACT.**

Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Proctor may approve, by resolution, Laws 2008, chapter 366, article 7, section 13, and Laws 2010, chapter 389, article 5, sections 1 and 2, and file its approval with the secretary of state by January 1, 2014. If approved under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 2, 2010, and otherwise in accordance with those laws are validated.

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

**Sec. 34. CITY OF BEMIDJI; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Bemidji may, by ordinance, impose a sales tax of up to one percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Lodging tax.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other provision of law, ordinance, or city charter, the city of Bemidji may impose, by ordinance, a tax of up to one percent on the gross receipts for the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than for the renting or leasing of it for a continuous period of 30 days or more.

Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivisions 1 and 2 must only be used by the city to fund the costs of operation, maintenance, and capital replacement costs for the Sanford Center.

Subd. 4. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement, and Minnesota Statutes, section 270C.171, apply.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Bemidji and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 35. ROCHESTER SALES TAX SHARING.**

The city council may, after holding a public hearing and passing a resolution, use \$5,000,000 of the \$10,000,000 allocated to an economic development fund in Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First Special Session chapter 7, article 4, section 5, paragraph (c), clause (9), for grants to any or all of the cities of Altura, Byron, Chatfield, Dodge Center, Elgin, Eyota, Grand Meadow, Hayfield, Kasson, Mantorville, Mazeppa, Oronoco, Pine Island, Plainview, Spring Valley, St. Charles, Stewartville, Wanamingo, West Concord, and Zumbrota for economic development projects that these communities would fund through their economic development authority or housing

and redevelopment authority. The public hearing may be part of a regular city council meeting. If the council does not pass the resolution by September 1, 2013, the \$5,000,000 may not be used for grants to the other cities but shall instead be used to fund public infrastructure projects contained in the development plan under Minnesota Statutes, section 469.42.

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

**Sec. 36. REPEALER.**

Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389, article 5, section 4, is repealed.

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

**ARTICLE 9**  
**ECONOMIC DEVELOPMENT**

Section 1. Minnesota Statutes 2012, section 469.071, subdivision 5, is amended to read:

**Subd. 5. Exception; parking facilities.** Notwithstanding section 469.068, the Bloomington port authority need not require competitive bidding with respect to a structured parking facility or other public improvements constructed in conjunction with, and directly above or below, or adjacent and integrally related to, a development and financed with the proceeds of tax increment or, revenue bonds, or other funds of the port authority and the city of Bloomington.

**EFFECTIVE DATE.** This section is effective upon compliance of the governing body of the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 2. Minnesota Statutes 2012, section 469.169, is amended by adding a subdivision to read:

**Subd. 19. Additional border city allocation; 2013.** (a) In addition to the tax reductions authorized in subdivisions 12 to 18, the commissioner shall allocate \$750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate this amount among cities on a per capita basis. Allocations made under this subdivision may be used for tax reductions under section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary to retain a business within or attract a business to the zone. The city alternatively may elect to use any portion of the allocation under this paragraph for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$750,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. The city alternatively may elect to use any portion of the allocation provided in this paragraph for tax reductions under section 469.171.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 469.176, subdivision 4c, is amended to read:

**Subd. 4c. Economic development districts.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; or

(6) ~~qualified border retail facilities; or~~

~~(7) space necessary for and related to the activities listed in clauses (1) to (6) (5).~~

(b) Notwithstanding the provisions of this subdivision, revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a small city, if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

(c) A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

~~(d) Notwithstanding the requirements of paragraph (a) and the finding requirements of section 469.174, subdivision 12, tax increments from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if all the following conditions are met:~~

~~(1) the municipality finds that the project will create or retain jobs in this state, including construction jobs, and that construction of the project would not have commenced before July 1, 2012, without the authority providing assistance under the provisions of this paragraph;~~

~~(2) construction of the project begins no later than July 1, 2012;~~

~~(3) the request for certification of the district is made no later than June 30, 2012; and~~

~~(4) for development of housing under this paragraph, the construction must begin before January 1, 2012.~~

~~The provisions of this paragraph may not be used to assist housing that is developed to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law, if construction of the project begins later than July 1, 2011.~~

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification was made after June 30, 2012.

Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 4g, is amended to read:

**Subd. 4g. General government use prohibited.** (a) Tax increments may not be used to circumvent existing levy limit law.

(b) No tax increment from any district may be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government. This provision does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure.

~~(c)(1) Tax increments may not be used to pay for the cost of public improvements, equipment, or other items, if:~~

~~(i) the improvements, equipment, or other items are located outside of the area of the tax increment financing district from which the increments were collected; and~~

~~(ii) the improvements, equipment, or items that (A) primarily serve a decorative or aesthetic purpose, or (B) serve a functional purpose, but their cost is increased by more than 100 percent as a result of the selection of materials, design, or type as compared with more commonly used materials, designs, or types for similar improvements, equipment, or items.~~

~~(2) The provisions of this paragraph do not apply to expenditures related to the rehabilitation of historic structures that are:~~

~~(i) individually listed on the National Register of Historic Places; or~~

~~(ii) a contributing element to a historic district listed on the National Register of Historic Places.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment for all tax increment financing districts, regardless of when the request for certification was made, but applies only to amounts spent after final enactment.

Sec. 5. Minnesota Statutes 2012, section 469.176, subdivision 6, is amended to read:

**Subd. 6. Action required.** (a) If, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.

(b) For districts which were certified on or after January 1, 2005, and before April 20, 2009, the four-year period under paragraph (a) is increased to six years deemed to end on December 31, 2016.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to districts certified on or after January 1, 2006, and before April 20, 2009.

Sec. 6. Minnesota Statutes 2012, section 469.177, is amended by adding a subdivision to read:

Subd. 1d. Original net tax capacity adjustment; homestead market value exclusion. (a) Upon approval by the municipality, by resolution, the authority may elect to reduce the net tax capacity of a qualified district by the amount of the tax capacity attributable to the market value exclusion under section 273.13, subdivision 35. The amount of the reduction may not reduce the original net tax capacity below zero.

(b) For purposes of this subdivision, a qualified district means a tax increment financing district that satisfies the following conditions:

(1) for taxes payable in 2011, the authority received a homestead market value credit reimbursement under section 273.1384 for the district of \$10,000 or more;

(2) for taxes payable in 2013, the reduction in captured tax capacity resulting from the market value exclusion for the district was equal to or greater than 1.75 percent of the district's captured tax capacity; and

(3) either (i) the authority is permitted to expend increments on activities under the provisions of section 469.1763, subdivision 3, or an equivalent provision of special law on July 1, 2013, or (ii) the district's tax increments received for taxes payable in 2012 exceeded the amount of debt service payments due during calendar year 2012 on bonds issued under section 469.178 to which the district's increments are pledged.

The calculation of the amount under clause (2) must reflect any adjustments to original net tax capacity made under subdivision 1, paragraphs (d) and (e), for the homestead market value exclusion.

(c) The authority must notify the county auditor of its election under this section no later than July 1, 2014. Notifications made by July 1, 2013, are effective beginning for taxes payable in 2014, and notifications made after July 1, 2013, are effective beginning for taxes payable in 2015.

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

Sec. 7. Minnesota Statutes 2012, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. Mall of America. (a) When computing the net tax capacity under section 473F.05, the Hennepin County auditor shall exclude the captured tax capacity of Tax Increment Financing Districts No. 1-C and No. 1-G in the city of Bloomington.

(b) Notwithstanding the provisions of subdivision 2, paragraph (a), the commercial-industrial contribution percentage for the city of Bloomington is the contribution net tax capacity divided by the total net tax capacity of commercial-industrial property in the city, excluding any commercial-industrial property that is captured tax capacity of Tax Increment Financing Districts No. 1-C and No. 1-G.

(c) The property taxes to be paid on commercial-industrial tax capacity that is included in the captured tax capacity of Tax Increment Financing Districts No. 1-C and No. 1-G in the city of Bloomington must be determined as described in subdivision 6, except that the portion of the tax that is based on the areawide tax rate is to be treated as tax increment under section 469.176.

(d) The provisions of this subdivision take effect only if the clerk of the city of Bloomington certifies to the Hennepin County auditor that the city has entered into a binding written agreement with the Metropolitan Council to repair and restore, or to replace, the old Cedar Avenue bridge for use by bicycle commuters and recreational users.

(e) This subdivision expires on the earliest of the following dates:

(1) when the tax increment financing districts have been decertified in 2024 or 2035, as provided by section 10, subdivision 2 or 4; or

(2) on January 1, 2014, if the city clerk fails to make the certification provided in paragraph (d) or if the city fails to file its local approval of section 18 with the secretary of state by December 31, 2013.

**EFFECTIVE DATE.** This section is effective beginning for property taxes payable in 2014.

Sec. 8. Laws 2008, chapter 366, article 5, section 26, is amended to read:

**Sec. 26. BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are increased to a ten-year 15-year period for the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of the district for a period through December 31, 2039.

(c) Effective for taxes payable in 2014, tax increment for the district must be computed using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

**EFFECTIVE DATE.** Paragraphs (a) and (c) are effective upon compliance by the governing body of the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3. Paragraph (b) is effective upon compliance by the governing bodies of the city of Bloomington, Hennepin County, and Independent School District No. 271 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 9. Laws 2008, chapter 366, article 5, section 34, as amended by Laws 2009, chapter 88, article 5, section 11, is amended to read:

**Sec. 34. CITY OF OAKDALE; ORIGINAL TAX CAPACITY PARCELS DEEMED OCCUPIED.** (a) The provisions of this section apply to redevelopment tax increment financing districts created by the Housing and Redevelopment Authority in and for the city of Oakdale in the areas comprised of the parcels with the following parcel identification numbers: (1) 3102921320053; 3102921320054; 3102921320055; 3102921320056; 3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059; 3102921320060; 3102921320061; 3102921330005; and (2) 2902921330001 and 2902921330005.

(b) For a district subject to this section, the Housing and Redevelopment Authority may, when requesting certification of the original tax capacity of the district under Minnesota Statutes, section 469.177, elect to have the original tax capacity of the district be certified as the tax capacity of the land.

(c) The authority to request certification of a district under this section expires on July 1, 2013.

(a) Parcel numbers 3102921320054, 3102921320055, 3102921320056, 3102921320057, 3102921320061, and 3102921330004 are deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), notwithstanding any contrary provisions of that paragraph, if the following conditions are met:

(1) a building located on any part of each of the specified parcels was demolished after the Housing and Redevelopment Authority for the city of Oakdale adopted a resolution under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

(2) the building was removed either by the authority, by a developer under a development agreement with the Housing and Redevelopment Authority for the city of Oakdale, or by the owner of the property without entering into a development agreement with the Housing and Redevelopment Authority for the city of Oakdale; and

(3) the request for certification of the parcel as part of a district is filed with the county auditor by December 31, 2017.

(b) The provisions of this section allow an election by the Housing and Redevelopment Authority for the city of Oakdale for the parcels deemed occupied under paragraph (a), notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 10, paragraph (d), and 469.177, subdivision 1, paragraph (f).

(c) The city may elect, in the tax increment financing plan, to collect increment from a redevelopment district created under the provisions of this section for an additional ten years beyond the limit in Minnesota Statutes, section 469.176, subdivision 1b.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021, subdivision 3, except that the provisions of paragraph (c) are effective only upon compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County and Independent School District No. 622.

Sec. 10. Laws 2010, chapter 216, section 55, is amended to read:

**Sec. 55. OAKDALE; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the city of Oakdale may collect tax increments from Tax Increment Financing District No. 6 (Bergen Plaza) through December 31, 2024 2040, subject to the conditions described in subdivision 2.

Subd. 2. **Conditions for extension.** (a) Subdivision 1 applies only if the following conditions are met:

(1) by July 1, 2011, the city of Oakdale has entered into a development agreement with a private developer for development or redevelopment of all or a substantial part of the ~~area~~ parcels described in clause (2); and

(2) by November 1, 2011, the city of Oakdale or a private developer commences construction of streets, traffic improvements, water, sewer, or related infrastructure that serves one or both of the parcels with the following parcel identification numbers: 2902921330001 and 2902921330005. For the purposes of this section, construction commences upon grading or other visible improvements that are part of the subject infrastructure.

(b) All tax increments received by the city of Oakdale under subdivision 1 after December 31, 2016, must be used only to pay costs that are both:

(1) related to redevelopment of the parcels specified in this subdivision ~~or parcel numbers 3102921320053, 3102921320054, 3102921320055, 3102921320056, 3102921320057, 3102921320058, 3102921320059, 3102921320060, 3102921320061, 3102921320062, 3102921320063, 3102921330004, and 3102921330005,~~ including, without limitation, any ~~of the~~ infrastructure referenced in this subdivision ~~that serves any of the~~ referenced parcels; and

(2) otherwise eligible under law to be paid with increments from the specified tax increment financing district, ~~except the authority under this clause does not apply to increments collected after the conclusion of the duration limit under general law.~~

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021, subdivision 3, except that the amendments to subdivision 1 are effective only upon compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County and Independent School District No. 622.

Sec. 11. **CITY OF BLOOMINGTON; TAX INCREMENT FINANCING.**

Subdivision 1. **Addition of property to Tax Increment Financing District No. 1-G.** (a) Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority of the city of Bloomington and the city of Bloomington may elect to eliminate the real property north of the existing building line on Lot 1, Block 1, Mall of America 7th Addition, exclusive of Lots 2 and 3 from Tax Increment Financing District No. 1-C within Industrial Development District No. 1 Airport South in the city of Bloomington, Minnesota, and expand the boundaries of Tax Increment Financing District No. 1-G to include that property.

(b) If the city elects to transfer parcels under this authority, the county auditor shall transfer the original tax capacity of the affected parcels from Tax Increment Financing District No. 1-C to Tax Increment Financing District No. 1-G.

Subd. 2. **Authority to extend duration limit; computation of increment.** (a) Notwithstanding Minnesota Statutes, section 469.176, or Laws 1996, chapter 464, article 1, section 8, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of Tax Increment Financing Districts No. 1-C and No. 1-G through December 31, 2034.

(b) Effective for property taxes payable in 2017 through 2034, the captured tax capacity of Tax Increment Financing District No. 1-C must be included in computing the tax rates of each local taxing district and the tax increment equals only the amount of tax computed under Minnesota Statutes, section 473F.08, subdivision 3c, paragraph (c).

(c) Effective for property taxes payable in 2019 through 2034, the captured tax capacity of Tax Increment Financing District No. 1-G must be included in computing the tax rates of each local taxing district and the tax increment for the district equals only the amount of tax computed under Minnesota Statutes, section 473F.08, subdivision 3c, paragraph (c).

Subd. 3. **Treatment of increment.** Increments received under the provisions of subdivision 2, paragraph (b) or (c), and Minnesota Statutes, section 473F.08, subdivision 3c, are deemed to be tax increments of Tax Increment Financing District No. 1-G, notwithstanding any law to the contrary, and without regard to whether they are attributable to captured tax capacity of Tax Increment Financing District No. 1-C.

Subd. 4. **Condition.** The authority under this section expires and Tax Increment Financing Districts No. 1-C and No. 1-G must be decertified for taxes payable in 2024 and thereafter, if the total estimated market value of improvements for parcels located in Tax Increment Financing District No. 1-G, as modified, do not exceed \$100,000,000 by taxes payable in 2023.

**EFFECTIVE DATE.** This section is effective upon compliance of the governing body of the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3, but only if the city enters into a binding written agreement with the Metropolitan Council to repair and restore, or to replace, the old Cedar Avenue bridge for use by bicycle commuters and recreational users. This section is effective without approval of

the county and school district under Minnesota Statutes, section 469.1782, subdivision 2. The legislature finds that the county and school district are not "affected local government units" within the meaning of Minnesota Statutes, section 469.1782, because the provision allowing extended collection of increment by the tax increment financing districts does not affect their tax bases and tax rates dissimilarly to other counties and school districts in the metropolitan area.

**Sec. 12. ST. CLOUD; TAX INCREMENT FINANCING.**

The request for certification of Tax Increment Financing District No. 2, commonly referred to as the Northwest District, in the city of St. Cloud is deemed to have been made on or after August 1, 1979, and before July 1, 1982. Revenues derived from tax increment for that district must be treated for purposes of any law as revenue of a tax increment financing district for which the request for certification was made during that time period.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of St. Cloud and compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 13. DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law, the Dakota County Community Development Agency may establish a redevelopment tax increment financing district comprised of the properties that were:

- (1) included in the CDA 10 Robert and South Street district in the city of West St. Paul; and
- (2) not decertified before July 1, 2012.

The district created under this section terminates no later than December 31, 2018.

Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located within the district. Minnesota Statutes, section 469.176, subdivision 4j, do not apply to the district. The original tax capacity of the district is \$93,239.

Subd. 3. **Authorized expenditures.** Tax increment from the district may be expended to pay for any eligible activities authorized by Minnesota Statutes, chapter 469, within the redevelopment area that includes the district, provided that the boundaries of the redevelopment area may not be expanded to add new area after April 1, 2013. All expenditures for eligible activities are deemed to be activities within the district under Minnesota Statutes, section 469.1763, subdivisions 2 to 4.

Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must be included in the adjusted net tax capacity of the city, county, and school district for the purposes of determining local government aid, education aid, and county program aid. The county auditor shall report to the commissioner of revenue the amount of the captured tax capacity for the district at the time the assessment abstracts are filed.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the Dakota County Community Development Agency with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 14. CITY OF GLENCOE; TAX INCREMENT FINANCING DISTRICT EXTENSION.**

Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, paragraph (a), clause (4), or any other law to the contrary, the city of Glencoe may collect tax increments from Tax Increment Financing District No. 4 (McLeod County District No. 007) through December 31, 2023, subject to the conditions in subdivision 2.

Subd. 2. Exclusive use of revenues. (a) All tax increments derived from Tax Increment Financing District No. 4 (McLeod County District No. 007) that are collected after December 31, 2013, must be used only to pay debt service on or to defease bonds that were outstanding on January 1, 2013 and that were issued to finance improvements serving:

- (1) Tax Increment Financing District No. 14 (McLeod County District No. 033) (Downtown);
- (2) Tax Increment Financing District No. 15 (McLeod County District No. 035) (Industrial Park); and
- (3) benefited properties as further described in proceedings related to the city's series 2007A bonds, dated September 1, 2007, and any bonds issued to refund those bonds.

(b) Increments may also be used to pay debt service on or to defease bonds issued to refund the bonds described in paragraph (a), if the refunding bonds do not increase the present value of debt service due on the refunded bonds when the refunding is closed.

(c) When the bonds described in paragraphs (a) and (b) have been paid or defeased, the district must be decertified and any remaining increment returned to the city, county, and school district as provided in Minnesota Statutes, section 469.176, subdivision 2, paragraph (c), clause (4).

**EFFECTIVE DATE.** This section is effective upon compliance by the governing bodies of the city of Glencoe, McLeod County, and Independent School District No. 2859 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 15. **CITY OF ELY; TAX INCREMENT FINANCING.**

Subdivision 1. Extension of district. Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Ely may collect tax increment from Tax Increment Financing District No. 1 through December 31, 2021. Increments from the district may only be used to pay binding obligations and administrative expenses.

Subd. 2. Binding obligations. For purposes of this section, "binding obligations" means the binding contractual or debt obligation of Tax Increment Financing District No. 1 entered into before January 1, 2013.

Subd. 3. Expenditures outside district. Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, the governing body of the city of Ely may elect to transfer revenues derived from increments from its Tax Increment Financing District No. 3 to the tax increment account established under Minnesota Statutes, section 469.177, subdivision 5, for Tax Increment Financing District No. 1. The amount that may be transferred is limited to the lesser of:

- (1) \$168,000; or
- (2) the total amount due on binding obligations and outstanding on that date, less the amount of increment collected by Tax Increment Financing District No. 1 after December 31, 2012, and administrative expenses of Tax Increment Financing District No. 1 incurred after December 31, 2012.

**EFFECTIVE DATE.** This section is effective upon approval by the governing bodies of the city of Ely, St. Louis County, and Independent School District No. 696 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

**Sec. 16. CITY OF MAPLEWOOD; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city of Maplewood elects, upon the adoption of a tax increment financing plan for a district, the rules under this section apply to one or more redevelopment tax increment financing districts established by the city or the economic development authority of the city. The area within which the redevelopment tax increment districts may be created is parcel 362922240002 (the "parcel") or any replatted parcels constituting a part of the parcel and the adjacent rights-of-way. For purposes of this section, the parcel is the "3M Renovation and Retention Project Area" or "project area."

(b) The requirements for qualifying redevelopment tax increment districts under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcel, which is deemed eligible for inclusion in a redevelopment tax increment district.

(c) The 90 percent rule under Minnesota Statutes, section 469.176, subdivision 4j, does not apply to the parcel.

(d) The expenditures outside district rule under Minnesota Statutes, section 469.1763, subdivision 2, does not apply; the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years; and expenditures must only be made within the project area.

(e) If, after one year from the date of certification of the original net tax capacity of the tax increment district, no demolition, rehabilitation, or renovation of property has been commenced on a parcel located within the tax increment district, no additional tax increment may be taken from that parcel, and the original net tax capacity of the parcel shall be excluded from the original net tax capacity of the tax increment district. If 3M Company subsequently commences demolition, rehabilitation, or renovation, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment district. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district.

(f) The authority to approve a tax increment financing plan and to establish a tax increment financing district under this section expires December 31, 2018.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Maplewood and upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 17. CITY OF MINNEAPOLIS; STREETCAR FINANCING.**

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

(b) "City" means the city of Minneapolis.

(c) "County" means Hennepin County.

(d) "District" means the areas certified by the city under subdivision 2 for collection of value capture taxes.

(e) "Project area" means the area including one city block on either side of a streetcar line designated by the city to serve the downtown and adjacent neighborhoods of the city.

**Subd. 2. Authority to establish district.** (a) The governing body of the city may, by resolution, establish a value capture district consisting of some or all of the taxable parcels located within one or more of the following areas of the city, as described in the resolution:

(1) the area bounded by Nicollet Avenue on the west, 16th Street East on the south, First Avenue South on the east, and 14th Street East on the north;

(2) the area bounded by Spruce Place on the west, 14th Street West on the south, LaSalle Avenue on the east, and Grant Street West on the north;

(3) the area bounded by Nicollet Avenue or Mall on the west, Fifth Street South on the south, Marquette Avenue on the east, and Fourth Street South on the north; and

(4) the area bounded by First Avenue North on the west, Washington Avenue on the south, Hennepin Avenue on the east, and Second Street North on the north.

(b) The city may establish the district and the project area only after holding a public hearing on its proposed creation after publishing notice of the hearing and the proposal at least once not less than ten days nor more than 30 days before the date of the hearing.

**Subd. 3. Calculation of value capture district; administrative provisions.** (a) If the city establishes a value capture district under subdivision 2, the city shall request the county auditor to certify the district for calculation of the district's tax revenues.

(b) For purposes of calculating the tax revenues of the district, the county auditor shall treat the district as if it were a request for certification of a tax increment financing district under the provisions of Minnesota Statutes, section 469.177, subdivision 1, and shall calculate the tax revenues of the district for each year of its duration under subdivision 4 as equaling the amount of tax increment that would be computed by applying the provisions of Minnesota Statutes, section 469.177, subdivisions 1, 2, and 3, to determine captured tax capacity and multiplying by the current tax rate, excluding the state general tax rate. The city shall provide the county auditor with the necessary information to certify the district, including the option for calculating revenues derived from the areawide tax rate under Minnesota Statutes, chapter 473F.

(c) The county auditor shall pay to the city at the same times provided for settlement of taxes and payment of tax increments the tax revenues of the district. The city must use the tax revenues as provided under subdivision 4.

**Subd. 4. Permitted uses of district tax revenues.** (a) In addition to paying for reasonable administrative costs of the district, the city may spend tax revenues of the district for property acquisition, improvements, and equipment to be used for operations within the project area, along with related costs, for:

(1) planning, design, and engineering services related to the construction of the streetcar line;

(2) acquiring property for, constructing, and installing a streetcar line;

(3) acquiring and maintaining equipment and rolling stock and related facilities, such as maintenance facilities, which need not be located in the project area;

(4) acquiring, constructing, or improving transit stations; and

(5) acquiring or improving public space, including the construction and installation of improvements to streets and sidewalks, decorative lighting and surfaces, and plantings related to the streetcar line.

(b) The city may issue bonds or other obligations under Minnesota Statutes, chapter 475, without an election, to fund acquisition or improvement of property of a capital nature authorized by this section, including any costs of issuance. The city may also issue bonds or other obligations to refund those bonds or obligations. Payment of principal and interest on the bonds or other obligations issued under this paragraph is a permitted use of the district's tax revenues.

(c) Tax revenues of the district may not be used for the operation of the streetcar line.

Subd. 5. Duration of the district. A district established under this section is limited to the lesser of (1) 25 years of tax revenues, or (2) the time necessary to collect tax revenues equal to the amount of the capital costs permitted under subdivision 4 or the amount needed to pay or defease bonds or other obligations issued under subdivision 4, whichever is later.

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

Sec. 18. **CITY OF BLOOMINGTON; OLD CEDAR AVENUE BRIDGE.**

(a) Notwithstanding any law to the contrary, the city of Bloomington shall transfer from the tax increment financing accounts for its Tax Increment Financing District No. 1-C and Tax Increment Financing District No. 1-G an amount equal to the tax increment for each district that is computed under the provisions of Minnesota Statutes, section 473F.08, subdivision 3c, for taxes payable in 2014 to an account or fund established for the repair, restoration, or replacement of the Old Cedar Avenue bridge for use by bicycle commuters and recreational users. The city is authorized to and must use the transferred funds to complete the repair, renovation, or replacement of the bridge.

(b) No signs, plaques, or markers acknowledging or crediting donations for, sponsorships of, or naming rights may be posted on or in the vicinity of the Old Cedar Avenue bridge.

**EFFECTIVE DATE.** This section is effective upon compliance by the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

**ARTICLE 10**  
**DESTINATION MEDICAL CENTER**

Section 1. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 45. Construction materials, public infrastructure related to the Destination medical center. Materials and supplies used in, and equipment incorporated into, the construction and improvement of publicly owned buildings and infrastructure included in the development plan adopted under section 469.42, and financed with public funds, are exempt.

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

Sec. 2. **[469.40] DEFINITIONS.**

Subdivision 1. Application. For the purposes of section 469.40 to 469.46, the terms defined in this section have the meanings given them.

Subd. 2. City. "City" means the city of Rochester.

Subd. 3. County. "County" means Olmsted County.

Subd. 4. Destination Medical Center Corporation, corporation, DMCC. "Destination Medical Center Corporation," "corporation," or "DMCC" means the nonprofit corporation created by the city as provided in section 469.41, and organized under chapter 317A.

**Subd. 5. Destination medical center development district.** "Destination medical center development district" or "development district" means a geographic area in the city identified in the adopted DMCC development plan in which public infrastructure projects are implemented.

**Subd. 6. Development plan.** "Development plan" means the plan adopted by the DMCC under section 469.42.

**Subd. 7. Medical business entity.** "Medical business entity" means a medical business entity with its principal place of business in the city that, as of the effective date of this section, together with all business entities of which it is the sole member or sole shareholder, collectively employs more than 30,000 persons in the state.

**Subd. 8. Public infrastructure project.** (a) "Public infrastructure project" means a project financed in part or whole with public money in order to support the medical business entity's development plans, as identified in the adopted DMCC development plan. A project may be to:

(1) acquire real property and other assets associated with the real property;

(2) demolish, repair, or rehabilitate buildings;

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district, including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(6) install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, broadcast and related multimedia infrastructure;

(7) make related site improvements, including, without limitation, excavation, earth retention, soil stabilization and correction, site improvements to support the destination medical center development district; and

(8) prepare land for private development and to sell or lease land.

(b) A public infrastructure project is not a business subsidy under section 116J.993.

**Sec. 3. [469.41] DESTINATION MEDICAL CENTER CORPORATION ESTABLISHED.**

**Subdivision 1. DMCC created.** The city shall establish a destination medical center corporation as a nonprofit corporation under chapter 317A to provide the city with expertise in preparing and implementing the development plan to establish the city as a destination medical center. Except as provided in this article, the nonprofit corporation is not subject to laws governing the city.

**Subd. 2. Membership.** (a) The corporation's governing board consists of nine voting members, as follows:

(1) the mayor of the city, or the mayor's designee, subject to approval by the city council;

(2) a member of the city council, selected by the city council;

(3) a member of the county board, selected by the county board;

(4) two representatives of the medical business entity defined in section 469.40, subdivision 7, appointed by the city council from among five candidates nominated by the medical business entity;

(5) two representatives of the city business community other than the medical business entity, appointed by the city council from among five candidates nominated by the Rochester Area Chamber of Commerce; and

(6) two members, appointed by the governor.

(b) Appointing authorities must make their appointments as soon as practicable after the effective date of this section.

Subd. 3. **Bylaws.** The corporation shall adopt bylaws governing the terms of members, filling vacancies, removal of members, selection of officers and other personnel and contractors, and other matters of organization and operation of the corporation.

Subd. 4. **Open meeting law; data practices.** Meetings of the corporation and any committee or subcommittee of the corporation are subject to the open meeting law in chapter 13D. The corporation is a government entity for purposes of chapter 13.

Subd. 5. **Conflicts of interest.** Except for the members appointed under subdivision 2, paragraph (a), clause (4), to represent the medical business entity, within one year prior to or at any time during a member's term of service on the corporation's governing board, a member must not be employed by, be a member of the board of directors of, or otherwise be a representative of the medical business entity. No member may serve as a lobbyist, as defined under section 10A.01, subdivision 21.

Subd. 6. **Powers; gifts.** The corporation may exercise any other powers that are granted by its articles of incorporation and bylaws to the extent that those powers are not inconsistent with the provisions of sections 469.40 to 469.46. Notwithstanding any law to the contrary, the corporation may accept and use gifts of money or in-kind and may use any of its money or assets, other than money or assets received from the city, county, or state, to develop and implement the adopted development plan.

Subd. 7. **Dissolution.** The city shall provide for the terms for dissolution of the corporation in the articles of incorporation.

**Sec. 4. [469.42] DEVELOPMENT PLAN.**

Subdivision 1. **Development plan; adoption by DMCC; notice; findings.** (a) The corporation shall prepare and adopt a development plan. The corporation must hold a public hearing before adopting a development plan. At least 45 days before the hearing, the corporation shall make copies of the proposed plan available to the public at the corporation and city offices during normal business hours, on the corporation's and city's Web site, and as otherwise determined appropriate by the corporation. At least ten days before the hearing, the corporation shall publish notice of the hearing in a daily newspaper of general circulation in the city. The development plan may not be adopted unless the corporation finds by resolution that:

(1) the plan provides an outline for the development of the city as a destination medical center, and the plan is sufficiently complete, including the identification of planned and anticipated projects, to indicate its relationship to definite state and local objectives;

(2) the proposed development affords maximum opportunity, consistent with the needs of the city, county, and state, for the development of the city by private enterprise as a destination medical center;

(3) the proposed development conforms to the general plan for the development of the city and is consistent with the city comprehensive plan;

(4) the plan includes:

(i) strategic planning consistent with a destination medical center in the core areas of commercial research and technology, learning environment, hospitality and convention, sports and recreation, livable communities, including mixed-use urban development and neighborhood residential development, retail/dining/entertainment, and health and wellness;

(ii) estimates of short- and long-range fiscal and economic impacts;

(iii) a framework to identify and prioritize short- and long-term public investment and public infrastructure project development and to facilitate private investment and development;

(iv) land use planning;

(v) transportation and transit planning;

(vi) operational planning required to support the medical center development district; and

(vii) ongoing market research plans; and

(5) the city has approved the plan.

(b) The identification of planned and anticipated projects under paragraph (a), clause (1), must give priority to projects that will pay wages at least equal to the basic cost of living wage as calculated by the commissioner of employment and economic development for the county in which the project is located. The calculation of the basic cost of living wage shall be done as provided for under Minnesota Statutes, section 116J.013, if enacted by the 2013 legislature.

Subd. 2. **Modification of development plan.** The corporation may modify the development plan at any time. The corporation must update the development plan not less than every five years. A modification or update under this subdivision must be adopted by the corporation upon the notice and after the public hearing and findings required for the original adoption of the development plan.

Subd. 3. **Medical center development districts; creation; notice; findings.** As part of the development plan, the corporation may create and define the boundaries of medical center development districts and subdistricts at any place or places within the city. Projects may be undertaken within defined medical center development districts consistent with the development plan.

Subd. 4. **DMCC consultant.** (a) The corporation may engage a business entity consultant to provide experience and expertise in developing the destination medical center. The consultant may assist the corporation in preparing the development plan and provide services to assist the corporation or city in implementing, consistent with the development plan, the goals, objectives, and strategies in the development plan, including, but not limited to:

(1) developing and updating the criteria for evaluating and underwriting development proposals;

(2) implementing the development plan, including soliciting and evaluating proposals for development and evaluating and making recommendations to the corporation and the city regarding those proposals;

(3) providing transactional services in connection with approved projects;

(4) developing patient, visitor, and community outreach programs for a destination medical center development district;

(5) working with the corporation to acquire and facilitate the sale, lease, or other transactions involving land and real property;

(6) seeking financial support for the corporation, the city, and a project;

(7) partnering with other development agencies and organizations and the county in joint efforts to promote economic development and establish a destination medical center;

(8) supporting and administering the planning and development activities required to implement the development plan;

(9) preparing and supporting the marketing and promotion of the medical center development district;

(10) preparing and implementing a program for community and public relations in support of the medical center development district;

(11) assisting the corporation or city and others in applications for federal grants, tax credits, and other sources of funding to aid both private and public development; and

(12) making other general advisory recommendations to the corporation and the city, as requested.

(b) The corporation may contract with the consultant to provide administrative services to the corporation with regard to the destination medical center plan implementation. The corporation may pay for those services out of any revenue sources available to it.

**Subd. 5. Audit of consultant contracts.** Any contract for services between the corporation and a consultant paid, in whole or in part, with public money gives the corporation, the city, and the state auditor the right to audit the books and records of the consultant that are necessary to certify (1) the nature and extent of the services furnished pursuant to the contract, and (2) that the payment for services and related disbursements complies with all state laws, regulations, and the terms of the contract. Any contract for services between the corporation and the consultant paid, in whole or in part, with public money shall require the corporation to maintain for the life of the corporation accurate and complete books and records directly relating to the contract.

**Subd. 6. Report.** By January 15 of each year, the corporation and city must submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over local and state government operations, economic development, and taxes, and to the commissioners of revenue and employment and economic development, and the county. The corporation and city must also submit the report as provided in section 3.195. The report must include:

(1) the adopted development plan and any proposed changes to the development plan;

(2) progress of projects identified in the development plan;

(3) actual costs and financing sources, including the amount paid with state aid under section 469.46 and required local contributions, of projects completed in the previous two years by the corporation, city, the county, and the medical business entity;

(4) estimated costs and financing sources for projects to be begun in the next two years by the corporation, city, the county, and the medical business entity; and

(5) debt service schedules for all outstanding obligations of the city for debt issued for projects identified in the plan.

Sec. 5. **[469.43] CITY POWERS, DUTIES; AUTHORITY TO ISSUE BONDS.**

Subdivision 1. **Port authority powers.** The city may exercise the powers of a port authority under sections 469.048 to 469.068, for the purposes of implementing the destination medical center development plan.

Subd. 2. **Support to the corporation.** The city may provide financial and administrative support and office and other space to the corporation. The city may appropriate money of the city to the corporation for its work.

Subd. 3. **City to issue debt.** The city may issue general obligation bonds, revenue bonds, or other obligations, as it determines appropriate, to finance public infrastructure projects, as provided by chapter 475. Notwithstanding section 475.53 obligations issued under this section are not subject to the limits on net debt, regardless of their source of security or payment. Notwithstanding section 475.58 or any other law or charter provision to the contrary, issuance of obligations under the provisions of this section are not subject to approval of the electors. The city may pledge any of its revenues, including property taxes, the taxes authorized by sections 469.44 and 469.45, and the state aid under section 469.46, as security for and to pay the obligations. The city must not issue obligations that are only payable from or secured by state aid under section 469.46.

Subd. 4. **American made steel.** The city must require that a public infrastructure project use American steel products to the extent practicable. In determining whether it is practicable, the city may consider the exceptions to the requirement in Public Law 111-5, section 1605.

Sec. 6. **[469.44] CITY TAX AUTHORITY.**

Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding section 477A.016, or any other contrary provision of law, ordinance, or city charter, and in addition to any taxes the city may impose on these transactions under another statute or law, the city of Rochester may, by ordinance impose at a rate or rates, determined by the city, any of the following taxes:

(1) a tax on the gross receipts from the furnishing for consideration of lodging and related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the city may choose to impose a differential tax based on the number of rooms in the facility;

(2) a tax on the gross receipts of food and beverages sold primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Rochester; the city may elect to impose the tax in a defined district of the city; and

(3) a tax on the admission receipts to entertainment and recreational facilities, as defined by ordinance, in the city of Rochester.

(b) The provisions of section 297A.99, subdivisions 4 to 13, govern the administration, collection, and enforcement of any tax imposed by the city under paragraph (a).

(c) The proceeds of any taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city to fund obligations related to public infrastructure projects contained in the development plan, including any associated financing costs. Any tax imposed under paragraph (a) expires at the earlier of December 31, 2041, or when the city council determines that sufficient funds have been raised from the tax plus all other local funding sources authorized in this article to meet the city obligation for financing a public infrastructure project contained in the development plan, including any associated financing costs.

**Subd. 2. General sales tax authority.** The city may elect to extend the existing local sales and use tax under section 11 or to impose an additional rate of up to one-half of one percent tax on sales and use under section 9.

**Subd. 3. Special abatement rules.** (a) If the city or the county elects to use tax abatement under sections 469.1812 to 469.1815 to finance costs of public infrastructure projects, the special rules under this subdivision apply.

(b) The limitations under section 469.1813, subdivision 6, do not apply to the city or the county.

(c) The limitations under section 469.1813, subdivision 8, do not apply and property taxes abated by the city or the county to finance costs of public infrastructure projects are not included for purposes of applying section 469.1813, subdivision 8, to the use of tax abatement for other purposes of the city or the county; however, the total amount of property taxes abated by the city and the county under this authority must not exceed \$87,750.000.

**Subd. 4. Special tax increment financing rules.** If the city elects to establish a redevelopment tax increment financing district or districts within the area of the destination medical center development district, the requirements of section 469.174, subdivision 10, restricting the geographic areas that may be designated as a district do not apply and increments from the district are not required to be spent in accordance with the requirements of section 469.176, subdivision 4j.

#### Sec. 7. **[469.45] COUNTY TAX AUTHORITY.**

(a) Notwithstanding sections 297A.99, 297A.993, and 477A.016, or any other contrary provision of law, ordinance, or charter, and in addition to any taxes the county may impose under another law or statute, the board of commissioners of Olmsted County may, by resolution, impose a transit tax of up to one quarter of one percent on retail sales and uses taxable under chapter 297A. The provisions of section 297A.99, subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

(b) The board of commissioners of Olmsted County may, by resolution, levy an annual wheelage tax of up to \$10 on each motor vehicle kept in the county when not in operation which is subject to annual registration and taxation under chapter 168. The wheelage tax shall not be imposed on the vehicles exempt from wheelage tax under section 163.051, subdivision 1. The board by resolution may provide for collection of the wheelage tax by county officials or it may request that the tax be collected by the state registrar on behalf of the county. The provisions of section 163.051, subdivisions 2, 2a, 3, and 7, shall govern the administration, collection, and enforcement of the tax authorized under this paragraph.

(c) The proceeds of any taxes imposed under this subdivision, less refunds and costs of collection, must be first used by the county to meet its share of obligations for financing transit infrastructure related to the public infrastructure projects contained in the development plan, including any associated financing costs. Revenues collected in any calendar year in excess of the county obligation to pay for projects contained in the development plan may be retained by the county and used for funding other transportation projects, including roads and bridges, airport and transit improvements.

(d) Any taxes imposed under paragraph (a), expire December 31, 2041, or at an earlier time if approved by resolution of the county board of commissioners. However, the taxes may not terminate before the county board of commissioners determines that revenues from these taxes and any other revenue source the county dedicates are sufficient to pay the county share of transit project costs and associated financing costs under the adopted development plan.

Sec. 8. **[469.46] STATE INFRASTRUCTURE AID.**

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

(b) "Commissioner" means the commissioner of employment and economic development.

(c) "Construction projects" means construction of buildings in the city for which the building permit was issued after June 30, 2013.

(d) "Expenditures" means expenditures made by a medical business entity, including any affiliated entities, on construction projects for the capital cost of the project, including but not limited to:

(1) design and predesign, including architectural, engineering, and similar services;

(2) legal, regulatory, and other compliance costs of the project;

(3) land acquisition, demolition of existing improvements, and other site preparation costs;

(4) construction costs including all materials and supplies of the project; and

(5) equipment and furnishings that are attached to or become part of the real property.

Expenditures exclude supplies and other items with a useful life of less than a year that are not used or consumed in constructing improvements to real property or are otherwise chargeable to capital costs.

(e) "Qualified expenditures" has the following meaning. In the first year in which aid is paid under this section "qualified expenditures" mean the total certified expenditures since June 30, 2013, through the end of the previous calendar year minus \$200,000,000. For subsequent years "qualified expenditures" mean the certified expenditures for the previous calendar year.

(f) "Transit costs" means the portions of a public infrastructure project that are for public transit intended primarily to serve the district, such as transit stations, equipment, right-of-way, and similar costs.

Subd. 2. **Certification of expenditures.** By April 1 of each year, the medical business entity must certify to the commissioner the amount of expenditures made in the prior calendar year. The certification must be made in the form that the commissioner prescribes and include any documentation of and supporting information regarding the expenditures that the commissioner requires. By August 1 of each year, the commissioner shall determine the amount of the expenditures for the prior calendar year.

Subd. 3. **General state infrastructure aid.** (a) General state infrastructure aid may not be paid out under this section until total expenditures exceed \$200,000,000.

(b) The amount of the general state infrastructure aid for a fiscal year equals the sum of qualified expenditures, multiplied by 2.75 percent. The maximum amount of general state aid payable in any year is limited to no more than \$30,000,000. If the aid entitlement for the year exceeds the maximum annual limit, the excess is an aid

carryover to later years. The carryover aid must be paid in the first year in which the aid entitlement for the current year is less than the maximum annual limit, but only to the extent the carryover, when added to the current year aid, is less than the maximum annual limit.

(c) If the commissioner determines that the city has made the required matching local contribution under subdivision 4, the commissioner shall pay to the city the amount of general state infrastructure aid for the year by September 1.

(d) The city must use general state infrastructure aid it receives under this subdivision for improvements and other capital costs related to the public infrastructure project, other than transit costs. The city shall maintain appropriate records to document the use of the funds under this requirement.

(e) The commissioner, in consultation with the commissioner of management and budget and representatives of the city and the corporation, shall establish a total limit on the amount of state aid payable under this subdivision that is sufficient, in combination with the local contribution, to pay for \$455,000,000 of general public infrastructure projects, plus financing costs.

Subd. 4. General aid; local matching contribution. In order to qualify for general state infrastructure aid, the city must enter a written agreement with the commissioner that requires the city to make a qualifying local matching contribution to pay for \$128,000,000 of the cost of public infrastructure projects, including associated financing costs, using funds other than state aid received under this section. This agreement must provide for the manner, timing, and amounts of the city contributions, including the city's commitment for each year. The commissioner and city may agree to amend the agreement at any time in light of new information or other appropriate factors. The city may enter arrangements with the county to pay for or otherwise meet the local matching contribution requirement.

Subd. 5. State transit aid. (a) The city qualifies for state transit aid under this section if:

(1) the county has elected to impose the transit sales tax under section 469.45 for a calendar year; and

(2) the county contributes the required local matching contribution under subdivision 6 or the city or county have agreed to make an equivalent contribution out of other funds.

(b) The amount of the state transit aid for a fiscal year equals the sum of qualified expenditures, as certified by the commissioner for the prior calendar year, multiplied by 0.75 percent, reduced by the amount of the local contribution under subdivision 6. The maximum amount of state transit aid payable in any year is limited to no more than \$7,500,000. If the aid entitlement for the year exceeds the maximum annual limit, the excess is an aid carryover to later years. The carryover aid must be paid in the first year in which the aid entitlement for the current year is less than the maximum annual limit, but only to the extent the carryover, when added to the current year aid, is less than the maximum annual limit.

(c) The commissioner, in consultation with the commissioner of management and budget and representatives of the city and the corporation, shall establish a total limit on the amount of state aid payable under this subdivision that is sufficient, in combination with the local contribution, to pay for \$116,000,000 of general public infrastructure projects, plus financing costs.

Subd. 6. Transit aid; local matching contribution. (a) The required local matching contribution for state transit aid equals the amount that would be raised by a 0.15 percent sales tax imposed by the county in the prior calendar year. The county may impose the sales tax or the wheelage tax under section 469.45 to meet this obligation.

(b) If the county elects not to impose any of the taxes authorized under section 469.45, the county or city or both may agree to make the local contribution out of other available funds, other than state aid payable under this section. The commissioner of revenue shall estimate the required amount and certify it to the commissioner, city, and county.

Subd. 7. **Termination.** No aid may be paid under this section after fiscal year 2041.

Subd. 8. **Appropriation.** An amount sufficient to pay the state general infrastructure and state transit aid authorized under this section is appropriated to the commissioner from the general fund.

Sec. 9. Laws 1998, chapter 389, article 8, section 43, subdivision 1, is amended to read:

Subdivision 1. **Sales and use taxes authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article 8, section 33, subdivision 1, and if approved by the voters of the city at a general or special election held within one year of the date of final enactment of this act, the city of Rochester may, by ordinance, impose an additional sales and use tax of up to one-half of one percent. The provisions of Minnesota Statutes, section 297A.48, 297A.99 govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision paragraph.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or charter, the city of Rochester may, by ordinance, impose an additional sales and use tax of up to one half of one percent. The provisions of Minnesota Statutes, section 297A.99, subdivisions 1 and 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

Sec. 10. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First Special Session chapter 7, article 4, section 5, is amended to read:

**Subd. 3. Use of revenues.** (a) Revenues received from the taxes authorized by subdivisions 1, paragraph (a), and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

- (1) transportation infrastructure improvements including regional highway and airport improvements;
- (2) improvements to the civic center complex;
- (3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and
- (4) construction of a regional recreation and sports center and other higher education facilities available for both community and student use.

(b) The total amount of capital expenditures or bonds for projects listed in paragraph (a) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$28,000,000.

(c) In addition to the projects authorized in paragraph (a) and not subject to the amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an election under subdivision 5, paragraph (c), use the revenues received from the taxes and bonds authorized in this section to pay the costs of or bonds for the following purposes:

(1) \$17,000,000 for capital expenditures and bonds for the following Olmsted County transportation infrastructure improvements:

- (i) County State Aid Highway 34 reconstruction;
- (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;
- (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;

- (iv) widening of County State Aid Highway 22 West Circle Drive; and
- (v) 60th Avenue Northwest corridor preservation;

(2) \$30,000,000 for city transportation projects including:

- (i) Trunk Highway 52 and 65th Street interchange;

- (ii) NW transportation corridor acquisition;

- (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;

- (iv) Trunk Highway 14 and Trunk Highway 63 intersection;

- (v) Southeast transportation corridor acquisition;

- (vi) Rochester International Airport expansion; and

- (vii) a transit operations center bus facility;

(3) \$14,000,000 for the University of Minnesota Rochester academic and complementary facilities;

(4) \$6,500,000 for the Rochester Community and Technical College/Winona State University career technical education and science and math facilities;

(5) \$6,000,000 for the Rochester Community and Technical College regional recreation facilities at University Center Rochester;

(6) \$20,000,000 for the Destination Medical Community Initiative;

(7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;

(8) \$20,000,000 for a regional recreation/senior center;

(9) \$10,000,000 for an economic development fund; and

(10) \$8,000,000 for downtown infrastructure.

(d) No revenues from the taxes raised from the taxes authorized in subdivisions 1 and 2 may be used to fund transportation improvements related to a railroad bypass that would divert traffic from the city of Rochester.

~~(e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin, Elysian, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville, Zumbrota, Spring Valley, West Concord, and Hayfield for economic development projects that these communities would fund through their economic development authority or housing and redevelopment authority.~~

(e) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if the city decides to extend the taxes in subdivisions 1, paragraph (a), and 2, as allowed under subdivision 5, paragraph (c), the city must use any amount in excess of the amount necessary to meet obligations under paragraphs (a) to (c) from those taxes to fund obligations, including associated financing costs, related to public infrastructure projects in the development plan adopted under Minnesota Statutes, section 469.42.

(f) Revenues from the tax under subdivision 1, paragraph (b), must be used to fund obligations, including associated financing costs, related to the public infrastructure projects contained in the development plan adopted by the city under Minnesota Statutes, section 469.42.

Sec. 11. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by Laws 2005, First Special Session chapter 3, article 5, section 30, and Laws 2011, First Special Session chapter 7, article 4, section 7, is amended to read:

**Subd. 5. Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the later of (1) December 31, 2009, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the first \$71,500,000 of capital expenditures and bonds for the projects authorized in subdivision 3, including the amount to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, unless the taxes are extended as allowed in paragraph (b). Any funds remaining after completion of the project and retirement or redemption of the bonds shall also be used to fund the projects under subdivision 3. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009, if approved by the voters of the city at a special election in 2005 or the general election in 2006. The question put to the voters must indicate that an affirmative vote would allow up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that sufficient funds have been received from the taxes to finance the projects and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city.

(c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1, paragraph (a), and 2 up to December 31, 2041, provided that all additional revenues above those necessary to fund the projects and associated financing costs listed in subdivision 3, paragraphs (a) to (e), are committed to fund public infrastructure projects contained in the development plan adopted under Minnesota Statutes, section 469.42, including all associated financing costs; otherwise the taxes terminate when beyond the date the city council determines that sufficient funds have been received from the taxes to finance \$111,500,000 of the expenditures and bonds for the projects authorized in subdivision 3, paragraph (a) paragraphs (a) to (e), plus an amount equal to the costs of issuance of the bonds and including the amount to prepay or retire at maturity the principal, interest, and premiums due on any bonds issued for the projects under subdivision 4, paragraph (a), if approved by the voters of

~~the city at the general election in 2012. If the election to authorize the additional \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the bonds is placed on the general election ballot in 2012, the city may continue to collect the taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put to the voters must indicate that an affirmative vote would allow sales tax revenues be raised for an extended period of time and an additional \$139,500,000 of bonds plus an amount equal to the costs of issuance of the bonds, to be issued above the amount authorized in the previous elections required under paragraphs (a) and (b) for the projects and amounts specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that \$139,500,000 has been received from the taxes to finance the projects plus an amount sufficient to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, including any bonds issued to refund the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the city.~~

(d) The tax imposed under subdivision 1, paragraph (b), expires at the earlier of 2041, or when the city council determines that sufficient funds have been raised from the tax plus all other city funding sources authorized in this article to meet the city obligation for financing the public infrastructure projects contained in the development plan adopted under Minnesota Statutes, section 469.42, including all associated financing costs.

**Sec. 12. ROCHESTER AREA DEVELOPMENT AND TRANSPORTATION IMPACTS STUDY.**

(a) From funds appropriated by law for the purposes of this section, the commissioner of transportation shall in consultation with the Rochester-Olmsted Council of Governments enter into an agreement with a consultant to perform a study of economic development and transportation impacts in the Rochester metropolitan area, including the feasibility of high-speed rail between Rochester and the seven-county metropolitan area. To be eligible, a consultant must have experience and expertise in a majority of the following: economics, economic development, demography, urban planning, engineering, and transportation.

(b) At a minimum, the study under this section must:

(1) utilize at least a 20-year planning horizon;

(2) perform a comprehensive planning assessment of key transportation infrastructure throughout the Rochester metropolitan area based on (i) long-range transportation plans developed by the Rochester-Olmsted Council of Governments, and (ii) expected and potential economic development patterns;

(3) analyze major roadways across all jurisdictions including, but not limited to, trunk highways; county highways; and arterial city streets; and interconnections with other modes in conjunction with ongoing rail and airports studies;

(4) analyze the feasibility of a high-speed rail connection between Rochester and the Mall of America via Minnesota State Highway 77 with connections to the Minneapolis-St. Paul International Airport and the Union Depot in St. Paul;

(5) to the extent feasible, take into account available data, forecasts, available transportation demand modeling information, and transportation impacts of major economic initiatives and proposals including, but not limited to, expansion of the Mayo Clinic; and

(6) provide scenarios and identify revenue shortfalls to address both short-term and long-term deficiencies in safety, mobility, congestion, and transportation infrastructure condition.

(c) By January 15, 2014, the commissioner shall provide an electronic copy of the study to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance, as provided in Minnesota Statutes, section 174.02, subdivision 8.

Sec. 13. **EFFECTIVE DATE.**

Except as otherwise provided, this article is effective the day after the governing body of the city of Rochester and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 11  
MINING TAXES

Section 1. **[116C.992] SILICA SAND MINING ACCOUNT.**

A silica sand mining account is created in the special revenue fund. Money in the account is available for development of model standards, technical assistance to counties and other governments, other assistance to counties, and other purposes as appropriated by law.

Sec. 2. Minnesota Statutes 2012, section 126C.48, subdivision 8, is amended to read:

**Subd. 8. Taconite payment and other reductions.** (1) Reductions in levies pursuant to subdivision 1 must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts that have revenue pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon severed mineral values must reduce the levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the previous year's revenue specified under this clause and the amount attributable to the same production year distributed to the cities and townships within the school district under section 298.28, subdivision 2, paragraph (c).

(3) The amount of any voter approved referendum, facilities down payment, and debt levies shall not be reduced by more than 50 percent under this subdivision. In administering this paragraph, the commissioner shall first reduce the nonvoter approved levies of a district; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved referendum levies authorized under section 126C.17; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved facilities down payment levies authorized under section 123B.63 and then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved debt levies.

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) To the extent the levy reduction calculated under paragraph (2) exceeds the limitation in paragraph (3), an amount equal to the excess must be distributed from the school district's distribution under sections 298.225, 298.28, and 477A.15 in the following year to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution. The commissioner of revenue shall certify the

distributions of cities and towns under this paragraph to the county auditor by September 30 of the year preceding distribution. The county auditor shall reduce the proposed and final levies of cities and towns receiving distributions by the amount of their distribution. Distributions to the cities and towns shall be made at the times provided under section 298.27.

**EFFECTIVE DATE.** This section is effective for levies certified in 2013 and later.

Sec. 3. **[297J.01] DEFINITIONS.**

Subdivision 1. Scope. Unless otherwise defined in this chapter, or unless the context clearly indicates otherwise, the terms used in this chapter have the meaning given them in this section. The definitions in this section are for tax administration purposes and apply to this chapter.

Subd. 2. Commissioner. "Commissioner" means the commissioner of revenue or a person to whom the commissioner has delegated functions.

Subd. 3. Mining. "Mining" means excavating and mining of silica sand by any process, including digging, excavating, drilling, blasting, tunneling, dredging, stripping, or by shaft.

Subd. 4. Person. "Person" means an individual, fiduciary, estate, trust, partnership, or corporation.

Subd. 5. Processing. "Processing" means washing, cleaning, screening, crushing, filtering, sorting, stockpiling, and storing silica sand at the mining site or at any other site.

Subd. 6. Qualified processor. "Qualified processor" means any person who operates a mining and processing facility at the same location and uses means to reasonably prevent silica sand particles from becoming airborne. These methods include, but are not limited to, prohibiting outdoor storage piles, the use of a slurry pipeline to carry aggregate material into the washing facility, completely enclosing the washing facility, and any other means necessary or reasonable to significantly prevent silica sand particles from becoming airborne.

Subd. 7. Silica sand. "Silica sand" means well-rounded, sand-sized grains of quartz (silica dioxide) with very few impurities in terms of other minerals. Specifically, silica sand for the purpose of this section is commercially valuable for use in the hydraulic fracturing of shale to obtain oil and natural gas. Silica sand does not include common rock, stone, aggregate, gravel, sand with a low quartz level, or silica compounds recovered as a by-product of metallic mining.

Subd. 8. Temporary storage. "Temporary storage" means the storage of stockpiles of silica sand that have been transported and are awaiting further transport or processing.

Subd. 9. Ton. "Ton" means 2,000 pounds.

Subd. 10. Transporting. "Transporting" means hauling silica sand, by any carrier:

(1) from the mining site to a processing or transfer site; or

(2) from a processing or storage site to a rail, barge, or transfer site for shipment.

Subd. 11. Year. "Year" means a calendar year.

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

Sec. 4. **[297J.02] TAX IMPOSED.**

Subdivision 1. Mining and storage tax; rate. A tax is hereby imposed on any person who: (1) mines silica sand from within the state; or (2) transports silica sand into and stores the sand in the state. The rate of tax imposed is 55 cents per cubic yard of silica sand mined or stored. The volume includes any material removed from the extraction site prior to washing. For any person mining silica sand in a county that imposes the aggregate tax authorized under section 298.75, subdivisions 2 and 3, a credit equal to the amount of aggregate tax paid to the county is applied against the tax due under this section.

Subd. 2. Processing tax; rate. (a) A tax is hereby imposed on any person engaged in washing or processing silica sand within the state. The rate of tax imposed is three percent of the market value of the silica sand processed. Market value is determined based on the sale price of the processed silica sand.

(b) Notwithstanding paragraph (a), the rate of tax imposed on a qualified processor is one percent of the market value of the silica sand processed in the state.

Subd. 3. Exemption. A person is exempt from the mining tax in subdivision 1 if the person transports less than ten percent of the finished product on public roads.

Subd. 4. Report and remittance. Taxes imposed by this section are due and payable to the commissioner when the fracturing sand return is required to be filed. Persons mining or processing fracturing sand must file their monthly fracturing sand reports showing the amount of fracturing sand extracted or processed during the month reported on a form prescribed by the commissioner. Reports of extraction and processing fracturing sand and taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month.

Subd. 5. Proceeds of taxes. Revenue received from taxes under this chapter, as well as all related penalties, interest, fees, and miscellaneous sources of revenue, must be deposited by the commissioner in the state treasury and credited as follows:

(1) \$2,000,000 in fiscal year 2014, \$2,690,000 in fiscal year 2015, and \$2,000,000 in each fiscal year thereafter must be credited to the silica sand mining account in the special revenue fund under section 116C.992; and

(2) the balance of revenues derived from taxes, penalties, interest, fees, and miscellaneous sources of income are credited to the general fund.

Subd. 6. Personal debt. The tax imposed by this section, and interest and penalties imposed with respect to it, are a personal debt of the person required to file a return from the time the liability for it arises, irrespective of when the time for payment of the liability occurs. The debt must, in the case of the executor or administrator of the estate of a decedent and in the case of a fiduciary, be that of the person in the person's official or fiduciary capacity only unless the person has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which event the person is personally liable for any deficiency.

Subd. 7. Refunds; appropriation. A person who has, under this chapter, paid to the commissioner an amount of tax for a period in excess of the amount legally due for that period, may file with the commissioner a claim for a refund of the excess. The amount necessary to pay the refunds under this subdivision is appropriated from the general fund to the commissioner.

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

Sec. 5. **[297J.03] REGISTRATION; REPORTING; FILING REQUIREMENTS.**

Subdivision 1. **Registration.** A person who extracts or processes silica sand within the state must register with the commissioner, on a form prescribed by the commissioner, for a silica sand identification number. The commissioner shall issue the applicant a registration number. A registration number is not assignable and is valid only for the person in whose name it is issued.

Subd. 2. **Reporting.** (a) A person who extracts or processes silica sand in this state must file a report showing the amount of silica sand extracted or processed monthly on or before the 20th day of the month following the month in which the silica sand was extracted or processed. The commissioner may inspect the premises, books, and records, of a person subject to the silica sand tax during the normal business hours of the person extracting or processing silica sand. A person violating this section is guilty of a misdemeanor.

(b) A person shall keep at each place of business complete and accurate records for that place of business, including records of silica sand extracted or processed in the state. Scale records, sales records, or any other records of tons of silica sand extracted or processed in this state, produced or maintained by the person extracting or processing silica sand, must be retained by the person extracting or processing silica sand in this state. Books, records, invoices, and other papers and documents required by this section must be kept for a period of at least 3-1/2 years after the date of the monthly silica sand report unless the commissioner of revenue authorizes, in writing, their destruction or disposal at an earlier date.

Subd. 3. **Extensions.** If, in the commissioner's judgment, good cause exists, the commissioner may extend the time for filing reports under this section and silica sand returns under section 297J.02 and for paying taxes under section 297J.02 for not more than six months.

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

Sec. 6. **[297J.04] LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.**

Subdivision 1. **Assessment.** Except as otherwise provided in this chapter, the amount of taxes assessable must be assessed within 3-1/2 years after the date the return is filed, whether or not the return is filed on or after the date prescribed. A return must not be treated as filed until it is in processible form. A return is in processible form if it is filed on a permitted form and contains sufficient data to identify the taxpayer and permit the mathematical verification of the tax liability shown on the return. For purposes of this section, a return filed before the last day prescribed by law for filing is considered to be filed on the last day.

Subd. 2. **False or fraudulent return.** Notwithstanding subdivision 1, the tax may be assessed at any time if a false or fraudulent return is filed or if a taxpayer fails to file a return.

Subd. 3. **Omission in excess of 25 percent.** Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if the taxpayer omits from a return taxes in excess of 25 percent of the taxes reported in the return.

Subd. 4. **Time limit on refunds.** Unless otherwise provided in this chapter, a claim for a refund of an overpayment of tax must be filed within 3-1/2 years from the date prescribed for filing the silica sand tax return. Interest on refunds must be computed at the rate specified in section 270C.405 from the date of payment to the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the later of the date the tax was finally due or was paid.

Subd. 5. **Bankruptcy; suspension of time.** The time during which a tax must be assessed or collection proceedings begun is suspended during the period from the date of a filing of a petition in bankruptcy until 30 days after either: (1) notice to the commissioner that the bankruptcy proceedings have been closed or dismissed; or (2)

the automatic stay has been ended or has expired, whichever occurs first. The suspension of the statute of limitations under this subdivision applies to the person the petition in bankruptcy is filed against, and all other persons who may also be wholly or partially liable for the tax.

Subd. 6. Extension agreement. If, before the expiration of time prescribed in subdivisions 1 and 4 for the assessment of tax or the filing of a claim for refund, both the commissioner and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon.

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

**Sec. 7. [297J.05] CIVIL PENALTIES.**

Subdivision 1. Penalty for failure to pay tax. If a tax is not paid within the time specified for payment, a penalty is added to the amount required to be shown as tax. The penalty is five percent of the unpaid tax if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate. For purposes of this subdivision, if the taxpayer has not filed a return, the time specified for payment is the final date a return should have been filed.

Subd. 2. Penalty for failure to make and file return. If a taxpayer fails to make and file a return within the time prescribed or an extension, a penalty is added to the tax. The penalty is five percent of the amount of tax not paid on or before the date prescribed for payment of the tax.

Subd. 3. Penalty for intentional disregard of law or rules. If part of an additional assessment is due to negligence or intentional disregard of the provisions of this chapter or rules of the commissioner of revenue (but without intent to defraud), there is added to the tax an amount equal to ten percent of the additional assessment.

Subd. 4. Penalty for false or fraudulent return; evasion. If a person files a false or fraudulent return, or attempts in any manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to 50 percent of the tax found due for the period to which the return related, less amounts paid by the person on the basis of the false or fraudulent return.

Subd. 5. Penalty for repeated failures to file returns or pay taxes. If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270C.34.

Subd. 6. Payment of penalties. The penalties imposed by this section must be collected and paid in the same manner as taxes. These penalties are in addition to criminal penalties imposed by this chapter.

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

**Sec. 8. [297J.07] INTEREST.**

Subdivision 1. Rate. If an interest assessment is required under this section, interest is computed at the rate specified in section 270C.40.

Subd. 2. Late payment. If a tax is not paid within the time specified by law for payment, the unpaid tax bears interest from the date the tax should have been paid until the date the tax is paid.

Subd. 3. **Extensions.** If an extension of time for payment has been granted, interest must be paid from the date the payment should have been made if no extension had been granted, until the date the tax is paid.

Subd. 4. **Additional assessments.** If a taxpayer is liable for additional taxes because of a redetermination by the commissioner, or for any other reason, the additional taxes bear interest from the time the tax should have been paid, without regard to any extension allowed, until the date the tax is paid.

Subd. 5. **Erroneous refunds.** In the case of an erroneous refund, interest accrues from the date the refund was paid unless the erroneous refund results from a mistake of the department, then no interest or penalty is imposed unless the deficiency assessment is not satisfied within 60 days of the order.

Subd. 6. **Interest on judgments.** Notwithstanding section 549.09, if judgment is entered in favor of the commissioner with regard to any tax, the judgment bears interest at the rate specified in section 270C.40 from the date the judgment is entered until the date of payment.

Subd. 7. **Interest on penalties.** A penalty imposed under section 297J.05, subdivision 1, 2, 3, 4, or 5, bears interest from the date the return or payment was required to be filed or paid, including any extensions, to the date of payment of the penalty.

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

Sec. 9. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent equal to one-half of the rate that applies under section 290.06, subdivision 1, for the taxable year. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

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

Sec. 10. Minnesota Statutes 2012, section 298.01, subdivision 4, is amended to read:

**Subd. 4. Occupation tax; iron ore; taconite concentrates.** A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax shall be computed by applying to taxable income the rate of ~~2.45 percent equal to one-half of the rate that applies under section 290.06, subdivision 1, for the taxable year~~. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 11. Minnesota Statutes 2012, section 298.227, as amended by Laws 2013, chapter 3, section 17, is amended to read:

**298.227 TACONITE ECONOMIC DEVELOPMENT FUND.** (a) An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose ~~of at least 50 percent of the distribution based on 14.7 cents per ton~~ beginning with distributions in 2002 2014. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by the board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a producer uses money which has been released from the fund prior to May 26, 2007 to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant

if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

(b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of distributions and the review process, an amount equal to ten cents per taxable ton of production in 2007, for distribution in 2008 only, that would otherwise be distributed under paragraph (a), may be used for a loan or grant for the cost of providing for a value-added wood product facility located in the taconite tax relief area and in a county that contains a city of the first class. This amount must be deducted from the distribution under paragraph (a) for which a matching expenditure by the producer is not required. The granting of the loan or grant is subject to approval by the board. If the money is provided as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213, subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the taconite environment protection fund under sections 298.222 to 298.225. If a loan or grant is not made under this paragraph by July 1, 2012, the amount that had been made available for the loan under this paragraph must be transferred to the taconite environment protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the fund established under this section that exceeds ten cents per ton is available to qualifying producers under paragraph (a) on a pro rata basis.

(c) Repayment or transfer of money to the taconite environmental protection fund under paragraph (b), item (ii), must be allocated by the Iron Range Resources and Rehabilitation Board for public works projects in house legislative districts in the same proportion as taxable tonnage of production in 2007 in each house legislative district, for distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph do not require approval by the governor. For purposes of this paragraph, "house legislative districts" means the legislative districts in existence on May 15, 2009.

**EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

Sec. 12. Minnesota Statutes 2012, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002, and 2003~~ 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable iron ore concentrate produced therefrom. ~~For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates produced in 2004. For concentrates produced in 2009 and subsequent years,~~ The tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in ~~2006~~ 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

**EFFECTIVE DATE.** This section is effective beginning for the 2013 production year.

Sec. 13. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

**Subd. 4. School districts.** (a) ~~23.15~~ 32.15 cents per taxable ton, plus the increase provided in paragraph (d), less the amount that would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that district, must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Four cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) ~~45.72~~ 24.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i). If there are insufficient tax proceeds to make the distribution provided under this paragraph in any year, money must be transferred from the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the distribution.

(d) (1) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in ~~the second previous year~~ 2011.

(2) Districts qualifying under paragraph (c) must receive additional taconite aid each year equal to 22.5 percent of the amount obtained by subtracting:

(i) 1.8 percent of the district's net tax capacity for 2011, from:

(ii) the district's weighted average daily membership for fiscal year 2012 multiplied by the sum of:

(A) \$415, plus

(B) the district's referendum revenue allowance for fiscal year 2013.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs ~~or for outcome based learning programs that enhance the academic quality of the district's curriculum. The outcome based learning programs must be approved by the commissioner of education.~~

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and ~~two~~ 11 cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

**EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

Sec. 14. Minnesota Statutes 2012, section 298.28, subdivision 6, is amended to read:

**Subd. 6. Property tax relief.** (a) In ~~2002~~ 2014 and thereafter, ~~33.9~~ 34.8 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .4541 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

**EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

Sec. 15. Minnesota Statutes 2012, section 298.28, subdivision 10, is amended to read:

Subd. 10. **Increase.** (a) Except as provided in paragraph (b), beginning with distributions in 2000, the amount determined under subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in 2003 2015, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) For distributions in 2005 and subsequent years, an amount equal to the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund established in section 298.2961, subdivision 4.

**EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

Sec. 16. Minnesota Statutes 2012, section 298.75, subdivision 2, is amended to read:

Subd. 2. **Tax imposed.** (a) Except as provided in paragraph (e), a county that imposes the aggregate production tax shall impose upon every operator a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material excavated in the county except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. A county board may authorize an additional tax on aggregate material excavated in the county of up to 43 cents per cubic yard or 30 cents per ton of aggregate material excavated in the county. The tax shall not be imposed on aggregate material excavated in the county until the aggregate material is transported from the extraction site or sold, whichever occurs first. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the aggregate material, the tax shall not be imposed until either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first.

(b) Except as provided in paragraph (e), a county that imposes the aggregate production tax under paragraph (a) shall impose upon every importer a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material imported into the county. A county board may authorize an additional tax on every importer of up to 43 cents per cubic yard or 30 cents per ton of aggregate material imported into the county. The tax shall be imposed when the aggregate material is imported from the extraction site or sold. When imported aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road, or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

(c) If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

(d) A county, city, or town that receives revenue under this section is prohibited from imposing any additional host community fees on aggregate production within that county, city, or town.

(e) A county that borders two other states and that is not contiguous to a county that imposes a tax under this section may impose the taxes under paragraphs (a) and (b) at the rate of ten cents per cubic yard or seven cents per ton. This paragraph expires December 31, 2014.

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

**Sec. 17. 2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive \$4,700,000 of the amount that otherwise would be distributed under Minnesota Statutes, section 298.28, subdivision 6, and this amount must be paid as follows:

(1) \$2,000,000 to the city of Hibbing for improvements to the city's water supply system;

(2) \$1,700,000 to the city of Mountain Iron for the cost of moving utilities required as a result of actions undertaken by United States Steel Corporation; and

(3) \$1,000,000 to the city of Tower for improvements to a marina.

**EFFECTIVE DATE.** This section is effective for the 2013 distribution, all of which must be made in the August 2013 payment.

**Sec. 18. IRON RANGE RESOURCES AND REHABILITATION COMMISSIONER; BONDS AUTHORIZED.**

Subdivision 1. **Issuance; purpose.** Notwithstanding any provision of Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and rehabilitation may issue revenue bonds in a principal amount of \$38,000,000 in one or more series, and bonds to refund those bonds. The proceeds of the bonds must be used to make grants to school districts located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for building projects, such as energy efficiency, technology, infrastructure, health, safety, and maintenance improvements.

Subd. 2. **Appropriation.** (a) There is annually appropriated from the distribution of taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the calculation of the amount of the remainder under Minnesota Statutes, section 298.28, subdivision 11, an amount sufficient to pay when due the principal and interest on the bonds issued pursuant to subdivision 1. The appropriation under this section must not exceed an amount equal to ten cents per taxable ton.

(b) If in any year the amount available under paragraph (a) is insufficient to pay principal and interest due on the bonds in that year, an additional amount is appropriated from the Douglas J. Johnson fund to make up the deficiency.

(c) The appropriation under this subdivision terminates upon payment or maturity of the last of the bonds issued under this section.

Subd. 3. **Credit enhancement.** The bonds issued under this section are "debt obligations" and the commissioner of Iron Range resources and rehabilitation is a "district" for purposes of Minnesota Statutes, section 126C.55, provided that advances made under Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes, section 126C.55, subdivisions 4 to 7.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.

**ARTICLE 12**  
**PUBLIC FINANCE**

Section 1. Minnesota Statutes 2012, section 118A.04, subdivision 3, is amended to read:

**Subd. 3. State and local securities.** Funds may be invested in the following:

(1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;

(2) any security which is a revenue obligation of any state or local government ~~with taxing powers~~ which is rated "AA" or better by a national bond rating service; ~~and~~

(3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency; ~~and~~

(4) any security which is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55.

Sec. 2. Minnesota Statutes 2012, section 118A.05, subdivision 5, is amended to read:

**Subd. 5. Guaranteed investment contracts.** Agreements or contracts for guaranteed investment contracts may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Agreements or contracts for guaranteed investment contracts with a term of 18 months or less may be entered into regardless of the credit quality of the issuer's or guarantor's long-term unsecured debt, provided that the credit quality of the issuer's short-term unsecured debt is rated in the highest category by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below "A", the government entity must have withdrawal rights.

Sec. 3. Minnesota Statutes 2012, section 216C.436, subdivision 7, is amended to read:

**Subd. 7. Repayment.** An implementing entity that finances an energy improvement under this section must:

(1) secure payment with a lien against the ~~benefited~~ qualifying real property; and

(2) collect repayments as a special assessment as provided for in section 429.101 or by charter, provided that special assessments may be made payable in up to 20 equal annual installments.

If the implementing entity is an authority, the local government that authorized the authority to act as implementing entity shall impose and collect special assessments necessary to pay debt service on bonds issued by the implementing entity under subdivision 8, and shall transfer all collections of the assessments upon receipt to the authority.

Sec. 4. Minnesota Statutes 2012, section 373.01, subdivision 3, is amended to read:

**Subd. 3. Capital notes.** (a) A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(b) For purposes of this subdivision, "capital equipment" means:

(1) public safety, ambulance, road construction or maintenance, and medical equipment; and

(2) computer hardware and software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

Sec. 5. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

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

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and bridges, public works facilities, fairground buildings, and records and data storage facilities, and the acquisition of development rights in the form of conservation easements under chapter 84C. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a county before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(d) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the Metropolitan Council or by the state demographer under section 4A.02.

(e) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(f) "Tax capacity" means total taxable market value, but does not include captured market value.

Sec. 6. Minnesota Statutes 2012, section 373.40, subdivision 2, is amended to read:

**Subd. 2. Application of election requirement.** (a) Bonds issued by a county to finance capital improvements under an approved capital improvement plan are not subject to the election requirements of section 375.18 or 475.58. The bonds must be approved by vote of at least three-fifths of the members of the county board. In the case of a metropolitan county, the bonds must be approved by vote of at least two-thirds of the members of the county board.

(b) Before issuance of bonds qualifying under this section, the county must publish a notice of its intention to issue the bonds and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the county or in a newspaper of general circulation in the county. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(c) A county may issue the bonds only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the county in the last county general election and is filed with the county auditor within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. If the county elects not to submit the question to the voters, the county shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

Sec. 7. Minnesota Statutes 2012, section 383D.41, is amended by adding a subdivision to read:

Subd. 10. **Housing improvement areas.** (a) The Dakota County Community Development Agency has all powers of a city, in addition to its existing powers as an implementing entity, under sections 428A.11 to 428A.21, in connection with housing improvement areas in Dakota County. For purposes of the Dakota County Community Development Agency's exercise of those powers the provisions of this subdivision apply.

(b) References in sections 428A.11 to 428A.21 to:

(1) a "mayor" are references to the executive director of the Dakota County Community Development Agency;

(2) a "council" are references to the board of commissioners of the Dakota County Community Development Agency; and

(3) a "city clerk" are references to an official of the Dakota County Community Development Agency designated from time to time by the executive director of the Dakota County Community Development Agency.

(c) Notwithstanding section 428A.11, subdivision 3, and 428A.13, subdivision 1, the governing body of the Dakota County Community Development Agency may adopt a resolution, rather than an ordinance, establishing one or more housing improvement areas, and "enabling ordinance" means a resolution so adopted for purposes of sections 428A.11 to 428A.21.

(d) As long as the governing body of the Dakota County Community Development Agency and the Dakota County Board of Commissioners consists of identical membership, the Dakota County Community Development Agency may pledge the full faith, credit and taxing power of Dakota County to obligations issued by the Dakota County Community Development Agency under section 428A.16.

(e) Notwithstanding the provisions of section 428A.21, the establishment by the Dakota County Community Development Agency of a new housing improvement area after June 30, 2016, requires enactment of a special law authorizing establishment of the area. Any extensions of the deadline for housing improvement districts under general law beyond that date or repeal of the deadline also applies to housing improvement areas established by the Dakota County Community Development Agency.

Sec. 8. Minnesota Statutes 2012, section 410.32, is amended to read:

#### **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware and software.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 9. Minnesota Statutes 2012, section 412.301, is amended to read:

**412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 10. **[435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.**

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

(b) "Governing body" means the city council of a municipality.

(c) "Improvements" means construction, reconstruction, and facility upgrades involving: right-of-way acquisition; paving; curbs and gutters; bridges and culverts and their repair; milling; overlaying; drainage and storm sewers; excavation; base work; subgrade corrections; street lighting; traffic signals; signage; sidewalks; pavement markings; boulevard and easement restoration; impact mitigation; connection and reconnection of utilities; turn lanes; medians; street and alley returns; retaining walls; fences; lane additions; and fixed transit infrastructure, trails, or pathways. "Fixed transit infrastructure" does not include commuter rail rolling stock, light rail vehicles, or transit way buses; capital costs for park-and-ride facilities; feasibility studies, planning, alternative analyses, environmental studies, engineering, or construction of transit ways; or operating assistance for transit ways.

(d) "Maintenance" means striping, seal coating, crack sealing, pavement repair, sidewalk maintenance, signal maintenance, street light maintenance, and signage.

(e) "Municipal street" means a street, alley, or public way in which the municipality is the road authority with powers conferred by section 429.021.

(f) "Municipality" means a home rule charter or statutory city.

(g) "Street improvement district" means a geographic area designated by a municipality and located within the municipality within which street improvements and maintenance may be undertaken and financed according to this section.

(h) "Unimproved parcel" means a parcel of land that abuts an:

(1) unimproved municipal street and that is not served by municipal sewer or water utilities; or

(2) improved municipal street and served by municipal sewer or water utilities and that:

(i) is not improved by construction of an authorized structure; or

(ii) contains a structure that has not previously been occupied.

Subd. 2. Authorization. A municipality may establish by ordinance municipal street improvement districts and may defray all or part of the total costs of municipal street improvements and maintenance by apportioning street improvement fees to all of the developed parcels located in the district. A street improvement district must not include any property already located in another street improvement district.

Subd. 3. Uniformity. (a) The total costs of municipal street improvements and maintenance must be apportioned to all developed parcels or developed tracts of land located in the established street improvement district on a uniform basis within each classification of real estate. Apportionment must be made on the basis of one of the following:

(1) estimated market value;

(2) tax capacity;

(3) front footage;

(4) land or building area; or

(5) some combination of clauses (1) to (4).

(b) Costs must not be apportioned in such a way that the cost borne by any classification of property is more than twice the cost that would be borne by that classification if costs were apportioned uniformly to all classifications of property under the method selected in paragraph (a), clauses (1) to (5).

Subd. 4. Adoption of plan. Before establishing a municipal street improvement district or authorizing a street improvement fee, a municipality must propose and adopt a street improvement plan that identifies the location of the municipal street improvement district and identifies and estimates the costs of the proposed improvements during the proposed period of collection of municipal street improvement fees, which must be for a period of at least five years and at most 20 years. Notice of a public hearing on the proposed plan must be given by mail to all affected landowners at least 30 days before the hearing and posted for at least 30 days before the hearing. At the public hearing, the governing body must present the plan and all affected landowners in attendance must have the opportunity to comment before the governing body considers adoption of the plan.

Subd. 5. Use of fees. Revenues from street improvement fees must be placed in a separate account and used only for projects located within the district and identified in the municipal street improvement plan.

Subd. 6. Collection; up to 20 years. (a) An ordinance adopted under this section must provide for billing and payment of the fee on a monthly, quarterly, or other basis as directed by the governing body. The governing body may collect municipal street improvement fees within a street improvement district for a maximum of 20 years.

(b) Fees that, as of October 15 of each year, have remained unpaid for at least 30 days may be certified to the county auditor for collection as a special assessment payable in the following calendar year against the affected property.

Subd. 7. Improvement fee. A municipality may impose a municipal street improvement fee by ordinance. The ordinance must not be voted on or adopted until after public notice is provided and a public hearing is held in the same manner as provided in subdivision 4.

Subd. 8. Not exclusive means of financing improvements. The use of the municipal street improvement fee by a municipality does not restrict the municipality from imposing other measures to pay the costs of local street improvements or maintenance, except that a municipality must not impose special assessments for projects funded with street improvement fees.

Subd. 9. Unimproved parcels; fees. A municipality may not impose a street improvement fee on any unimproved parcel located within an established street improvement district until at least three years after either the date of substantial completion of the paving of the previous unimproved municipal street or the date which a structure is built and first occupied pursuant to a certificate of occupancy, whichever is later.

Subd. 10. Exempt property. A municipality must not impose a municipal street improvement fee on property that is exempt from taxation under the provisions of the Minnesota Constitution, article X, section 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 11. Minnesota Statutes 2012, section 473.39, is amended by adding a subdivision to read:

Subd. 1s. **Obligations.** After July 1, 2013, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$35,800,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 12. Minnesota Statutes 2012, section 474A.04, subdivision 1a, is amended to read:

~~Subd. 1a. Entitlement reservations; carryforward; deduction.~~ Any amount returned by an entitlement issuer before July 15 shall be reallocated through the housing pool. Any amount returned on or after July 15 shall be reallocated through the unified pool. An amount returned after the last Monday in November shall be reallocated to the Minnesota Housing Finance Agency. ~~Any amount of bonding authority that an entitlement issuer carries forward under federal tax law that is not permanently issued or for which the governing body of the entitlement issuer has not enacted a resolution electing to use the authority for mortgage credit certificates and has not provided a notice of issue to the commissioner before 4:30 p.m. on the last business day in December of the succeeding calendar year shall be deducted from the entitlement allocation for that entitlement issuer in the next succeeding calendar year. Any amount deducted from an entitlement issuer's allocation under this subdivision shall be reallocated to other entitlement issuers, the housing pool, the small issue pool, and the public facilities pool on a proportional basis consistent with section 474A.03.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to any bonding authority allocated in 2012 and subsequent years.

Sec. 13. Minnesota Statutes 2012, section 474A.062, is amended to read:

#### **474A.062 MINNESOTA OFFICE OF HIGHER EDUCATION 120-DAY ISSUANCE EXEMPTION.**

The Minnesota Office of Higher Education is exempt from the 120-day issuance requirements in this chapter and may carry forward allocations for student loan bonds ~~into one successive calendar year~~, subject to carryforward notice requirements of section 474A.131, subdivision 2.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to any bonding authority allocated in 2012 and subsequent years.

Sec. 14. Minnesota Statutes 2012, section 474A.091, subdivision 3a, is amended to read:

**Subd. 3a. Mortgage bonds.** (a) Bonding authority remaining in the unified pool on October 1 is available for single-family housing programs for cities that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year. The Minnesota Housing Finance Agency shall receive an allocation for mortgage bonds pursuant to this section, minus any amounts for a city or consortium that intends to issue bonds on its own behalf under paragraph (c).

(b) The agency may issue bonds on behalf of participating cities. The agency shall request an allocation from the commissioner for all applicants who choose to have the agency issue bonds on their behalf and the commissioner shall allocate the requested amount to the agency. Allocations shall be awarded by the commissioner each Monday commencing on the first Monday in October through the last Monday in November for applications received by 4:30 p.m. on the Monday of the week preceding an allocation.

For cities who choose to have the agency issue bonds on their behalf, allocations will be made loan by loan, on a first-come, first-served basis among the cities. The agency shall submit an application fee pursuant to section 474A.03, subdivision 4, and an application deposit equal to two percent of the requested allocation to the commissioner when requesting an allocation from the unified pool. After awarding an allocation and receiving a notice of issuance for mortgage bonds issued on behalf of the participating cities, the commissioner shall transfer the application deposit to the Minnesota Housing Finance Agency.

For purposes of paragraphs (a) to (d), "city" means a county or a consortium of local government units that agree through a joint powers agreement to apply together for single-family housing programs, and has the meaning given it in section 462C.02, subdivision 6. "Agency" means the Minnesota Housing Finance Agency.

(c) Any city that received an allocation pursuant to section 474A.061, subdivision 2a, paragraph (f), in the current year that wishes to receive an additional allocation from the unified pool and issue bonds on its own behalf or pursuant to a joint powers agreement shall notify the Minnesota Housing Finance Agency by the third Monday in September. The total amount of allocation for mortgage bonds for a city choosing to issue bonds on its own behalf or through a joint powers agreement is limited to the lesser of: (i) the amount requested, or (ii) the product of the total amount available for mortgage bonds from the unified pool, multiplied by the ratio of the population of each city that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year, as determined by the most recent estimate of the city's population released by the state demographer's office to the total of the population of all the cities that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year. If a city choosing to issue bonds on its own behalf or through a joint powers agreement is located within a county that has also chosen to issue bonds on its own behalf or through a joint powers agreement, the city's population will be deducted from the county's population in calculating the amount of allocations under this paragraph.

The Minnesota Housing Finance Agency shall notify each city choosing to issue bonds on its own behalf or pursuant to a joint powers agreement of the amount of its allocation by October 15. Upon determining the amount of the allocation of each choosing to issue bonds on its own behalf or through a joint powers agreement, the agency shall forward a list specifying the amounts allotted to each city.

A city that chooses to issue bonds on its own behalf or through a joint powers agreement may request an allocation from the commissioner by forwarding an application with an application fee pursuant to section 474A.03, subdivision 4, and an application deposit equal to two percent of the requested amount to the commissioner no later than 4:30 p.m. on the Monday of the week preceding an allocation. Allocations to cities that choose to issue bonds on their own behalf shall be awarded by the commissioner on the first Monday after October 15 through the last Monday in November. No city may receive an allocation from the commissioner after the last Monday in November. The commissioner shall allocate the requested amount to the city or cities subject to the limitations under this subdivision.

If a city issues mortgage bonds from an allocation received under this paragraph, the issuer must provide for the recycling of funds into new loans. If the issuer is not able to provide for recycling, the issuer must notify the commissioner in writing of the reason that recycling was not possible and the reason the issuer elected not to have the Minnesota Housing Finance Agency issue the bonds. "Recycling" means the use of money generated from the repayment and prepayment of loans for further eligible loans or for the redemption of bonds and the issuance of current refunding bonds.

(d) No entitlement city or county or city in an entitlement county may apply for or be allocated authority to issue mortgage bonds or use mortgage credit certificates from the unified pool.

(e) An allocation awarded to the agency for mortgage bonds under this section may be carried forward by the agency ~~into the next succeeding calendar year~~ subject to notice requirements under section 474A.131 ~~and is available until the last business day in December of that succeeding calendar year.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to any bonding authority allocated in 2012 and subsequent years.

Sec. 15. Minnesota Statutes 2012, section 475.521, subdivision 1, is amended to read:

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

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, town hall, library, public safety facility, and public works facility. An improvement must have an expected useful life of five years or more to qualify. Capital improvement does not include light rail transit or any activity related to it, or a park, road, bridge, administrative building other than a city or town hall, or land for any of those facilities. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a municipality before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Municipality" means a home rule charter or statutory city or a town described in section 368.01, subdivision 1 or 1a.

Sec. 16. Minnesota Statutes 2012, section 475.521, subdivision 2, is amended to read:

Subd. 2. **Election requirement.** (a) Bonds issued by a municipality to finance capital improvements under an approved capital improvements plan are not subject to the election requirements of section 475.58. The bonds must be approved by an affirmative vote of three-fifths of the members of a five-member governing body. In the case of a governing body having more or less than five members, the bonds must be approved by a vote of at least two-thirds of the members of the governing body.

(b) Before the issuance of bonds qualifying under this section, the municipality must publish a notice of its intention to issue the bonds and the date and time of the hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the municipality or in a newspaper of general circulation in the municipality. Additionally, the notice may be posted on the official Web site, if any, of the municipality. The notice must be published at least 14 but not more than 28 days before the date of the hearing.

(c) A municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the municipality in the last municipal general election and is filed with the clerk within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

Sec. 17. Minnesota Statutes 2012, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction or bituminous overlays, if the following conditions are met:

(1) the streets are reconstructed or overlaid under a street reconstruction or overlay plan that describes the street reconstruction or overlay to be financed, the estimated costs, and any planned reconstruction or overlay of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of all of the members of the governing body present at the meeting following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction and bituminous overlays includes utility replacement and relocation and other activities incidental to the street reconstruction, turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects. For purposes of this subdivision, "street reconstruction" includes expenditures for street reconstruction that have been incurred by a municipality before approval of a street reconstruction plan, if such expenditures are included in a street reconstruction plan approved on or before the date of the public hearing under paragraph (a), clause (1) regarding issuance of bonds for such expenditures.

(d) Except in the case of turn lanes, safety improvements, realignments, intersection modifications, and the local share of state and county road projects, street reconstruction and bituminous overlays does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 18. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974, chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788, section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998, chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to read:

Subd. 2. For each of the years 2003 to 2013 to 2024, the city of St. Paul is authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

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

Sec. 19. **CARRYFORWARD OF BONDING AUTHORITY FOR 2011; NO DEDUCTION FROM ENTITLEMENT ALLOCATION.**

Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, bonding authority that was allocated to an entitlement issuer in 2011 and that was carried forward under federal tax law, but for which the entitlement issuer did not provide a notice of issue to the commissioner of management and budget before 4:30 p.m. on the last business day of December 2012 must not be deducted from the entitlement allocation for that entitlement issuer in 2013.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies retroactively to rescind any reallocation by the commissioner of management and budget under Minnesota Statutes, section 474A.04, subdivision 1a, of any amounts so deducted.

**ARTICLE 13**  
**MISCELLANEOUS PROVISIONS**

Section 1. Minnesota Statutes 2012, section 163.051, is amended to read:

**163.051 METROPOLITAN COUNTY WHEELAGE TAX.**

Subdivision 1. **Tax authorized.** (a) Except as provided in paragraph ~~(b)~~ (c), the board of commissioners of each ~~metropolitan~~ county is authorized to levy by resolution a wheelage tax ~~of \$5 for the year 1972 and each subsequent year thereafter by resolution at the rate specified in paragraph (b)~~, on each motor vehicle that is kept in such county when not in operation and that is subject to annual registration and taxation under chapter 168. The board may provide by resolution for collection of the wheelage tax by county officials or it may request that the tax be collected by the state registrar of motor vehicles, ~~and~~. The state registrar of motor vehicles shall collect such tax on behalf of the county if requested, as provided in subdivision 2.

(b) The wheelage tax under this section is at the rate of:

- (1) from January 1, 2014, through December 31, 2017, \$10 per year for each county that authorizes the tax; and
- (2) on and after January 1, 2018, up to \$20 per year, in any increment of a whole dollar, as specified by each county that authorizes the tax.

(c) The following vehicles are exempt from the wheelage tax:

- (1) motorcycles, as defined in section 169.011, subdivision 44;
- (2) motorized bicycles, as defined in section 169.011, subdivision 45; and
- (3) ~~electric assisted bicycles, as defined in section 169.011, subdivision 27; and~~
- (4) ~~(3)~~ motorized foot scooters, as defined in section 169.011, subdivision 46.

(d) For any county that authorized the tax prior to the effective date of this section, the wheelage tax continues at the rate provided under paragraph (b).

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

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

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

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

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

Subd. 7. **Offenses; penalties; application of other laws.** (a) Any owner or operator of a motor vehicle who shall willfully give gives any false information relative to the tax herein authorized by this section to the registrar of motor vehicles or any metropolitan county, or who shall willfully fail or refuse fails or refuses to furnish any such information, shall be is guilty of a misdemeanor.

(b) Except as otherwise herein provided in this section, the collection and payment of a wheelage tax and all matters relating thereto shall be are subject to all provisions of law relating to collection and payment of motor vehicle taxes so far as applicable.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to a registration period under Minnesota Statutes, chapter 168, starting on or after January 1, 2014.

Sec. 2. Minnesota Statutes 2012, section 237.52, subdivision 3, is amended to read:

Subd. 3. **Collection.** Every provider of services capable of originating a TRS call, including cellular communications and other nonwire access services, in this state shall, except as provided in subdivision 3a, collect the charges established by the commission under subdivision 2 and transfer amounts collected to the commissioner of public safety in the same manner as provided in section 403.11, subdivision 1, paragraph (d). The commissioner of public safety must deposit the receipts in the fund established in subdivision 1.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 3. Minnesota Statutes 2012, section 237.52, is amended by adding a subdivision to read:

Subd. 3a. **Fee for prepaid wireless telecommunications service.** The fee established in subdivision 2 does not apply to prepaid wireless telecommunications services as defined in section 403.02, subdivision 17b, which are instead subject to the prepaid wireless telecommunications access Minnesota fee established in section 403.161, subdivision 1, paragraph (b). Collection, remittance, and deposit of prepaid wireless telecommunications access Minnesota fees are governed by sections 403.161 and 403.162.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 270B.01, subdivision 8, is amended to read:

Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means:

(1) the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 295, 297A, 297B, and 297H, and 403, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees; and

(2) section 273.1315.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 5. Minnesota Statutes 2012, section 270B.12, subdivision 4, is amended to read:

Subd. 4. **Department of Public Safety.** The commissioner may disclose return information to the Department of Public Safety for the purpose of and to the extent necessary to administer ~~section~~ sections 270C.725 and 403.16 to 403.162.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 6. Minnesota Statutes 2012, section 271.06, is amended by adding a subdivision to read:

**Subd. 2a. Timely mailing treated as timely filing.** (a) If, after the period prescribed by subdivision 2, the original notice of appeal, proof of service upon the commissioner, and filing fee are delivered by mail in the United States to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court, then the date of filing is the date of the United States postmark stamped on the envelope or other appropriate wrapper in which the notice of appeal, proof of service upon the commissioner, and filing fee are mailed.

(b) This subdivision applies only if the postmark date falls within the period prescribed by subdivision 2 and the original notice of appeal, proof of service upon the commissioner, and filing fee are deposited in the mail in the United States in an envelope or other appropriate wrapper, postage prepaid, properly addressed to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court.

(c) Only the postmark of the United States Postal Service qualifies as proof of timely mailing under this subdivision. Private postage meters do not qualify as proof of timely filing under this subdivision. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States registered mail, the date of registration is the postmark date. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States certified mail and the sender's receipt is postmarked by the postal employee to whom the envelope containing the original notice of appeal, proof of service upon the commissioner, and filing fee is presented, the date of the United States postmark on the receipt is the postmark date.

(d) A reference in this section to mail in the United States must be treated as including a reference to any designated delivery service and a reference in this section to a postmark by the United States Postal Service must be treated as including a reference to any date recorded or marked by any designated delivery service in accordance with section 7502(f) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for filings delivered by the United States Postal Service with a postmark date after August 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 297E.021, subdivision 2, is amended to read:

**Subd. 2. Determination of revenue increase.** By March 15 of each fiscal year, the commissioner of management and budget, in consultation with the commissioner, shall determine the estimated increase in revenues received from (1) taxes imposed under this chapter, and (2) the taxes imposed under section 295.61 and the amendments to section 297A.61, subdivision 3, under article 8, section 1, of this act, over (3) the estimated revenues under the February 2012 state budget forecast from the taxes imposed under this chapter for that fiscal year. For fiscal years after fiscal year 2015, the commissioner of management and budget shall use the February 2012 state budget forecast for fiscal year 2015 for the amount of taxes collected under this chapter as the baseline. All calculations under this subdivision must be made net of estimated refunds of the taxes required to be paid.

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

Sec. 8. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision to read:

**Subd. 17b. Prepaid wireless telecommunications service.** "Prepaid wireless telecommunications service" means a wireless telecommunications service that allows the caller to dial 911 to access the 911 system, which service must be paid for in advance and is:

- (1) sold in predetermined units or dollars of which the number declines with use in a known amount; or
- (2) provides unlimited use for a predetermined time period.

The inclusion of nontelecommunications services, including the download of digital products delivered electronically, content, and ancillary services, with a prepaid wireless telecommunications service does not preclude that service from being considered a prepaid wireless telecommunications service under this chapter.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 9. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision to read:

**Subd. 20a. Wireless telecommunications service.** Wireless telecommunications service means a commercial mobile radio service, as that term is defined in United States Code, title 47, section 332, subsection (d), including all broadband personal communication services, wireless radio telephone services, and geographic area specialized mobile radio licensees, that offer real-time, two-way voice service interconnected with the public switched telephone network.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 10. Minnesota Statutes 2012, section 403.02, subdivision 21, is amended to read:

**Subd. 21. Wireless telecommunications service provider.** "Wireless telecommunications service provider" means a provider of commercial mobile radio services, as that term is defined in United States Code, title 47, section 332, subsection (d), including all broadband personal communications services, wireless radio telephone services, geographic area specialized and enhanced specialized mobile radio services, and incumbent wide area specialized mobile radio licensees, that offers real time, two way voice service interconnected with the public switched telephone network and that is doing business in the state of Minnesota wireless telecommunications service.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 11. Minnesota Statutes 2012, section 403.06, subdivision 1a, is amended to read:

Subd. 1a. **Biennial budget; annual financial report.** The commissioner shall prepare a biennial budget for maintaining the 911 system. By December 15 of each year, the commissioner shall submit a report to the legislature detailing the expenditures for maintaining the 911 system, the 911 fees collected, the balance of the 911 fund, and the 911-related administrative expenses of the commissioner, and the most recent forecast of revenues and expenditures for the 911 emergency telecommunications service account, including a separate projection of E911 fees from prepaid wireless customers and projections of year-end fund balances. The commissioner is authorized to expend money that has been appropriated to pay for the maintenance, enhancements, and expansion of the 911 system.

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

Sec. 12. Minnesota Statutes 2012, section 403.11, subdivision 1, is amended to read:

Subdivision 1. **Emergency telecommunications service fee; account.** (a) Each customer of a wireless or wire-line switched or packet-based telecommunications service provider connected to the public switched telephone network that furnishes service capable of originating a 911 emergency telephone call is assessed a fee based upon the number of wired or wireless telephone lines, or their equivalent, to cover the costs of ongoing maintenance and related improvements for trunking and central office switching equipment for 911 emergency telecommunications service, to offset administrative and staffing costs of the commissioner related to managing the 911 emergency telecommunications service program, to make distributions provided for in section 403.113, and to offset the costs, including administrative and staffing costs, incurred by the State Patrol Division of the Department of Public Safety in handling 911 emergency calls made from wireless phones.

(b) Money remaining in the 911 emergency telecommunications service account after all other obligations are paid must not cancel and is carried forward to subsequent years and may be appropriated from time to time to the commissioner to provide financial assistance to counties for the improvement of local emergency telecommunications services. The improvements may include providing access to 911 service for telecommunications service subscribers currently without access and upgrading existing 911 service to include automatic number identification, local location identification, automatic location identification, and other improvements specified in revised county 911 plans approved by the commissioner.

(c) The fee may not be less than eight cents nor more than 65 cents a month until June 30, 2008, not less than eight cents nor more than 75 cents a month until June 30, 2009, not less than eight cents nor more than 85 cents a month until June 30, 2010, and not less than eight cents nor more than 95 cents a month on or after July 1, 2010, for each customer access line or other basic access service, including trunk equivalents as designated by the Public Utilities Commission for access charge purposes and including wireless telecommunications services. With the approval of the commissioner of management and budget, the commissioner of public safety shall establish the amount of the fee within the limits specified and inform the companies and carriers of the amount to be collected. When the revenue bonds authorized under section 403.27, subdivision 1, have been fully paid or defeased, the commissioner shall reduce the fee to reflect that debt service on the bonds is no longer needed. The commissioner shall provide companies and carriers a minimum of 45 days' notice of each fee change. The fee must be the same for all customers, except that the fee imposed under this subdivision does not apply to prepaid wireless telecommunications service, which is instead subject to the fee imposed under section 403.161, subdivision 1, paragraph (a).

(d) The fee must be collected by each wireless or wire-line telecommunications service provider subject to the fee. Fees are payable to and must be submitted to the commissioner monthly before the 25th of each month following the month of collection, except that fees may be submitted quarterly if less than \$250 a month is due, or annually if less than \$25 a month is due. Receipts must be deposited in the state treasury and credited to a 911 emergency telecommunications service account in the special revenue fund. The money in the account may only be used for 911 telecommunications services.

(e) This subdivision does not apply to customers of interexchange carriers.

(f) The installation and recurring charges for integrating wireless 911 calls into enhanced 911 systems are eligible for payment by the commissioner if the 911 service provider is included in the statewide design plan and the charges are made pursuant to contract.

(g) Competitive local exchanges carriers holding certificates of authority from the Public Utilities Commission are eligible to receive payment for recurring 911 services.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 13. Minnesota Statutes 2012, section 403.11, is amended by adding a subdivision to read:

Subd. 6. Report. (a) Beginning September 1, 2013, and continuing semiannually thereafter, each wireless telecommunications service provider shall report to the commissioner, based on the mobile telephone number, both the total number of prepaid wireless telecommunications subscribers sourced to Minnesota and the total number of wireless telecommunications subscribers sourced to Minnesota. The report must be filed on the same schedule as Federal Communications Commission Form 477.

(b) The commissioner shall make a standard form available to all wireless telecommunications service providers for submitting information required to compile the report required under this subdivision.

(c) The information provided to the commissioner under this subdivision is considered trade secret information under section 13.37 and may only be used for purposes of administering this chapter.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 14. **[403.16] DEFINITIONS.**

Subdivision 1. Scope. For the purposes of sections 403.16 to 403.164, the terms defined in this section have the meanings given them.

Subd. 2. Consumer. "Consumer" means a person who purchases prepaid wireless telecommunications service in a retail transaction.

Subd. 3. Department. "Department" means the Department of Revenue.

Subd. 4. Prepaid wireless E911 fee. "Prepaid wireless E911 fee" means the fee that is required to be collected by a seller from a consumer as established in section 403.161, subdivision 1, paragraph (a).

Subd. 5. Prepaid wireless telecommunications access Minnesota fee. "Prepaid wireless telecommunications access Minnesota fee" means the fee that is required to be collected by a seller from a consumer as established in section 403.161, subdivision 1, paragraph (b).

Subd. 6. Provider. "Provider" means a person that provides prepaid wireless telecommunications service under a license issued by the Federal Communications Commission.

Subd. 7. Retail transaction. "Retail transaction" means the purchase of prepaid wireless telecommunications service from a seller for any purpose other than resale.

Subd. 8. Seller. "Seller" means a person who sells prepaid wireless telecommunications service to another person.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 15. **[403.161] PREPAID WIRELESS FEES IMPOSED; COLLECTION; REMITTANCE.**

**Subdivision 1. Fees imposed.** (a) A prepaid wireless E911 fee of 80 cents per retail transaction is imposed on prepaid wireless telecommunications service until the fee is adjusted as an amount per retail transaction under subdivision 7.

(b) A prepaid wireless telecommunications access Minnesota fee, in the amount of the monthly charge provided for in section 237.52, subdivision 2, is imposed on each retail transaction for prepaid wireless telecommunications service until the fee is adjusted as an amount per retail transaction under subdivision 7.

**Subd. 2. Exemption.** The fees established under subdivision 1 are not imposed on a minimal amount of prepaid wireless telecommunications service that is sold with a prepaid wireless device and is charged a single nonitemized price, and a seller may not apply the fees to such a transaction. For purposes of this subdivision, a minimal amount of service means an amount of service denominated as either ten minutes or less or \$5 or less.

**Subd. 3. Fee collected.** The prepaid wireless E911 and telecommunications access Minnesota fees must be collected by the seller from the consumer for each retail transaction occurring in this state. The amount of each fee must be combined into one amount, which must be separately stated on an invoice, receipt, or other similar document that is provided to the consumer by the seller, or otherwise disclosed to the consumer.

**Subd. 4. Sales and use tax treatment.** For purposes of this section, a retail transaction conducted in person by a consumer at a business location of the seller must be treated as occurring in this state if that business location is in this state, and any other retail transaction must be treated as occurring in this state if the retail transaction is treated as occurring in this state for purposes of the sales and use tax as specified in section 297A.669, subdivision 3, paragraph (c).

**Subd. 5. Remittance.** The prepaid wireless E911 and telecommunications access Minnesota fees are the liability of the consumer and not of the seller or of any provider, except that the seller is liable to remit all fees that the seller collects from consumers as provided in section 403.162, including all fees that the seller is deemed to collect in which the amount of the fee has not been separately stated on an invoice, receipt, or other similar document provided to the consumer by the seller.

**Subd. 6. Exclusion for calculating other charges.** The combined amount of the prepaid wireless E911 and telecommunications access Minnesota fees collected by a seller from a consumer must not be included in the base for measuring any tax, fee, surcharge, or other charge that is imposed by this state, any political subdivision of this state, or any intergovernmental agency.

**Subd. 7. Fee changes.** (a) The prepaid wireless E911 and telecommunications access Minnesota fee must be proportionately increased or reduced upon any change to the fee imposed under section 403.11, subdivision 1, paragraph (c), after July 1, 2013, or the fee imposed under section 237.52, subdivision 2, as applicable.

(b) The department shall post notice of any fee changes on its Web site at least 30 days in advance of the effective date of the fee changes. It is the responsibility of sellers to monitor the department's Web site for notice of fee changes.

(c) Fee changes are effective 60 days after the first day of the first calendar month after the commissioner of public safety or the Public Utilities Commission, as applicable, changes the fee.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 16. **[403.162] ADMINISTRATION OF PREPAID WIRELESS E911 FEES.**

Subdivision 1. **Remittance.** Prepaid wireless E911 and telecommunications access Minnesota fees collected by sellers must be remitted to the commissioner of revenue at the times and in the manner provided by chapter 297A with respect to the general sales and use tax. The commissioner of revenue shall establish registration and payment procedures that substantially coincide with the registration and payment procedures that apply in chapter 297A.

Subd. 2. **Seller's fee retention.** A seller may deduct and retain three percent of prepaid wireless E911 and telecommunications access Minnesota fees collected by the seller from consumers.

Subd. 3. **Department of Revenue provisions.** The audit, assessment, appeal, collection, refund, penalty, interest, enforcement, and administrative provisions of chapters 270C and 289A that are applicable to the taxes imposed by chapter 297A apply to any fee imposed under section 403.161.

Subd. 4. **Procedures for resale transactions.** The commissioner of revenue shall establish procedures by which a seller of prepaid wireless telecommunications service may document that a sale is not a retail transaction. These procedures must substantially coincide with the procedures for documenting sale for resale transactions as provided in chapter 297A.

Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on the relative proportion of the prepaid wireless E911 fee and the prepaid wireless telecommunications access Minnesota fee imposed per retail transaction, divide the fees collected in corresponding proportions. Within 30 days of receipt of the collected fees, the commissioner shall:

(1) deposit the proportion of the collected fees attributable to the prepaid wireless E911 fee in the 911 emergency telecommunications service account in the special revenue fund; and

(2) deposit the proportion of collected fees attributable to the prepaid wireless telecommunications access Minnesota fee in the telecommunications access fund established in section 237.52, subdivision 1.

(b) The department may deduct and retain an amount, not to exceed two percent of collected fees, to reimburse its direct costs of administering the collection and remittance of prepaid wireless E911 fees and prepaid wireless telecommunications access Minnesota fees.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 17. **[403.163] LIABILITY PROTECTION FOR SELLERS AND PROVIDERS.**

(a) A provider or seller of prepaid wireless telecommunications service is not liable for damages to any person resulting from or incurred in connection with providing any lawful assistance in good faith to any investigative or law enforcement officer of the United States, this or any other state, or any political subdivision of this or any other state.

(b) In addition to the protection from liability provided by paragraph (a), section 403.08, subdivision 11, applies to sellers and providers.

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

Sec. 18. **[403.164] EXCLUSIVITY OF PREPAID WIRELESS E911 FEE.**

The prepaid wireless E911 fee imposed by section 403.161 is the only E911 funding obligation imposed with respect to prepaid wireless telecommunications service in this state, and no tax, fee, surcharge, or other charge may be imposed by this state, any political subdivision of this state, or any intergovernmental agency, for E911 funding purposes, upon any provider, seller, or consumer with respect to the sale, purchase, use, or provision of prepaid wireless telecommunications service.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 19. Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision 1, as amended by Laws 2011, First Special Session chapter 7, article 6, section 22, is amended to read:

Subdivision 1. **Political contribution credit.** Notwithstanding the provisions of Minnesota Statutes, section 290.06, subdivision 23, or any other law to the contrary, the political contribution refund does not apply to contributions made after June 30, 2009, and before July 1, 2013 2017.

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

Sec. 20. **REPORT; RECOMMENDATIONS.**

(a) By March 1, 2014, the commissioner of public safety shall submit a report to the chairs and ranking minority members of the legislative committees with primary jurisdiction over public safety and telecommunications that assesses the amount of revenue collected from the fees imposed under Minnesota Statutes, section 403.161, and recommends any adjustment of those fees that the commissioner of public safety determines is necessary in order to:

(1) fund legislative appropriations from the 911 emergency telecommunications service account and to maintain a reasonable fund reserve; and

(2) maintain fairness with respect to the amount of fees paid by customers of prepaid wireless telecommunications service as compared with customers of other telecommunications services.

(b) A wireless telecommunications service provider shall provide any information requested by the commissioner of public safety for the purposes of the report.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 21. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

Subdivision 1. **Authority.** This section is intended to fulfill the requirement under Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax expenditure provide a purpose for the tax expenditure and a standard or goal against which its effectiveness may be measured.

Subd. 2. **Federal conformity.** The provisions of article 6 conforming Minnesota individual income tax to changes in federal law are intended to simplify compliance with and administration of the individual income tax.

Subd. 3. **Employment of qualified veterans tax credit.** The provisions of article 6, section 30, providing a tax credit for the employment of qualified veterans, are intended to give an incentive to employers to hire unemployed and disabled veterans. The standard against which the effectiveness of the credit is to be measured is the additional number of veterans who are hired as a result of the tax credit.

Subd. 4. **Railroad track maintenance subtraction.** The provisions of article 6, sections 10 and 12, allowing an individual income and corporate franchise tax subtraction for the amount allowed under the federal credit for railroad maintenance expenses, are intended to increase the combined federal and state tax incentives available to Class II and Class III railroads for maintaining and upgrading track in Minnesota. The standard against which effectiveness is to be measured is the additional miles of track maintained or upgraded following allowance of the state tax subtraction in addition to the existing federal tax credit.

Subd. 5. **Sales tax exemption of coin-operated amusement devices.** The provisions of article 8, section 2, exempting certain sales of coin-operated entertainment and amusement devices is intended to reduce tax pyramiding by eliminating the tax on an input used in providing a taxable service.

Subd. 6. Motor vehicle rental tax exemption for car sharing. The provisions of article 8, section 4, exempting nonprofit car sharing companies from the extra tax on short term car rentals is intended to provide a similar tax treatment between motor vehicle ownership and motor vehicle sharing.

Subd. 7. Expansion of the sales tax exemption on durable medical products and prosthetics. The provisions of article 8, section 8, expanding the definition of items included in repair and replacement parts of durable medical equipment and prosthetics and exempting Medicare and medicaid purchases is intended to simplify sales tax administration in this area and provide relief for sellers who cannot collect the tax under these programs.

Subd. 8. Exemption for public safety radio communication systems. The provisions of article 8, section 10, expanding the existing sales tax exemption for certain types of public safety radio systems in certain counties to all types of systems in all counties is intended to provide equal tax treatment to all local governments in the state on these purchases.

Subd. 9. Sales tax exemption for established religious orders. The provisions of article 8, section 11, exempting certain sales between a religious order and an affiliated institute of higher education, is intended to retain an existing sales tax exemption that exists between St. John's Abbey and St. John's University after a governing restructure between the two entities.

Subd. 10. Sales tax exemption for nursing homes and boarding care homes. The provisions of article 8, section 12, exempting certain nursing homes and boarding care homes is intended to clarify that an existing exemption for these facilities is not affected by a recent property tax case related to defining nonprofit organizations engaged in charitable activities.

Subd. 11. Construction sales tax exemptions. The provisions of article 8, sections 13, 14, and 15, exempting from sales tax construction materials for various entities, are intended to increase jobs and reduce tax pyramiding by reducing the tax on inputs used to provide taxable goods and services.

Subd. 12. Sales tax exemption on certain public infrastructure. The provisions of article 10, section 1, exempting construction materials used in public infrastructure projects related to the destination medical center plan is intended to reduce city costs for those projects.

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

## ARTICLE 14 MARKET VALUE DEFINITIONS

Section 1. Minnesota Statutes 2012, section 38.18, is amended to read:

### **38.18 COUNTY FAIRGROUNDS; IMPROVEMENT AIDED.**

Any Each town, statutory city, or school district in this state, now or hereafter at any time having a an estimated market value of all its taxable property, exclusive of money and credits, of more than \$105,000,000, and having a county fair located within its corporate limits, is hereby authorized to aid in defraying may pay part of the expense of improving any such the fairground, by appropriating and paying over to the treasurer of the county owning the fairground such sum of money, not exceeding \$10,000, for each of the political subdivisions, as the its governing body of the town, statutory city, or school district may, by resolution, determine determines to be for the best interest of the political subdivision. The sums so appropriated to amounts paid to the county must be used solely for the purpose of aiding in the improvement of to improve the fairground in such the manner as the county board of the county shall determine determines to be for the best interest of the county.

Sec. 2. Minnesota Statutes 2012, section 40A.15, subdivision 2, is amended to read:

**Subd. 2. Eligible recipients.** All counties within the state, municipalities that prepare plans and official controls instead of a county, and districts are eligible for assistance under the program. Counties and districts may apply for assistance on behalf of other municipalities. In order to be eligible for financial assistance a county or municipality must agree to levy at least 0.01209 percent of ~~taxable~~ estimated market value for agricultural land preservation and conservation activities or otherwise spend the equivalent amount of local money on those activities, or spend \$15,000 of local money, whichever is less.

Sec. 3. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

**Subdivision 1. Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

(a) "Commissioner" means the commissioner of revenue.

(b) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota;

(5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;

(6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;

(7) for purposes of the police state aid program only, the Metropolitan Airports Commission; and

(8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.

(c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.

(d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.

(e) "Estimated market value" means latest available estimated market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for

insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the State Patrol retirement plan or the public employees police and fire fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (3) and (4).

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

(1) for the police state aid program and police relief association financial reports:

(i) the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body;

(ii) in a park district, the secretary of the board of park district commissioners;

(iii) in the case of the University of Minnesota, the official designated by the Board of Regents;

(iv) for the Metropolitan Airports Commission, the person designated by the commission;

(v) for the Department of Natural Resources or the Department of Public Safety, the respective commissioner;

(vi) for a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American Indian tribal government; and

(2) for the fire state aid program and fire relief association financial reports, the person who was elected or appointed to the specified position, or, for governmental entities other than counties, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

(k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the retirement plan established by chapter 353G.

Sec. 4. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

**Subd. 7. Apportionment of fire state aid to municipalities and relief associations.** (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters relief association.

(b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The municipality or fire department must receive the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, without inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one-half in proportion to the population as shown in the last official statewide federal census for each fire town and one-half in proportion to the estimated market value of each fire town, including (1) the estimated market value of tax-exempt property and (2) the estimated market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14, but excluding the estimated market value of minerals. In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments must be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the estimated market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and estimated market value of the area served by each fire department may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the estimated market value of each service area. The agreement must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer firefighters relief associations or covered by the voluntary statewide lump-sum volunteer firefighter retirement plan based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighters relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters. If a relief association is established after calendar year 1993 and before calendar year 2000, the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, shall be used in this determination. If a relief association is established after calendar year 1999, the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this determination. If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters of the municipality covered by the statewide plan as certified by the executive director of the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters, must be used in this determination.

(e) Unless the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of receipt of the fire state aid,

transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment. If the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the executive director of the Public Employees Retirement Association and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

(f) The commissioner may make rules to permit the administration of the provisions of this section.

(g) Any adjustments needed to correct prior misallocations must be made to subsequent apportionments.

Sec. 5. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

**Subd. 8. Population and estimated market value.** (a) In computations relating to fire state aid requiring the use of population figures, only official statewide federal census figures are to be used. Increases or decreases in population disclosed by reason of any special census must not be taken into consideration.

(b) In calculations relating to fire state aid requiring the use of estimated market value property figures, only the latest available estimated market value property figures may be used.

Sec. 6. Minnesota Statutes 2012, section 88.51, subdivision 3, is amended to read:

**Subd. 3. Determination of estimated market value.** In determining the net tax capacity of property within any taxing district the value of the surface of lands within any auxiliary forest therein, as determined by the county board under the provisions of section 88.48, subdivision 3, shall, for all purposes except the levying of taxes on lands within any such forest, be deemed the estimated market value thereof.

Sec. 7. Minnesota Statutes 2012, section 103B.245, subdivision 3, is amended to read:

**Subd. 3. Tax.** After adoption of the ordinance under subdivision 2, a local government unit may annually levy a tax on all taxable property in the district for the purposes for which the tax district is established. The tax may not exceed 0.02418 percent of estimated market value on taxable property located in rural towns other than urban towns, unless allowed by resolution of the town electors. The proceeds of the tax shall be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve fund at the time the tax is terminated or the district is dissolved shall be transferred and irrevocably pledged to the debt service fund of the local unit to be used solely to reduce tax levies for bonded indebtedness of taxable property in the district.

Sec. 8. Minnesota Statutes 2012, section 103B.251, subdivision 8, is amended to read:

**Subd. 8. Tax.** (a) For the payment of principal and interest on the bonds issued under subdivision 7 and the payment required under subdivision 6, the county shall irrevocably pledge and appropriate the proceeds of a tax levied on all taxable property located within the territory of the watershed management organization or subwatershed unit for which the bonds are issued. Each year until the reserve for payment of the bonds is sufficient to retire the bonds, the county shall levy on all taxable property in the territory of the organization or unit, without respect to any statutory or other limitation on taxes, an amount of taxes sufficient to pay principal and interest on the bonds and to restore any deficiencies in reserves required to be maintained for payment of the bonds.

(b) The tax levied on rural towns other than urban towns may not exceed 0.02418 percent of ~~taxable~~ estimated market value, unless approved by resolution of the town electors.

(c) If at any time the amounts available from the levy on property in the territory of the organization are insufficient to pay principal and interest on the bonds when due, the county shall make payment from any available funds in the county treasury.

(d) The amount of any taxes which are required to be levied outside of the territory of the watershed management organization or unit or taken from the general funds of the county to pay principal or interest on the bonds shall be reimbursed to the county from taxes levied within the territory of the watershed management organization or unit.

Sec. 9. Minnesota Statutes 2012, section 103B.635, subdivision 2, is amended to read:

**Subd. 2. Municipal funding of district.** (a) The governing body or board of supervisors of each municipality in the district must provide the funds necessary to meet its proportion of the total cost determined by the board, provided the total funding from all municipalities in the district for the costs shall not exceed an amount equal to .00242 percent of the total ~~taxable estimated~~ market value within the district, unless three-fourths of the municipalities in the district pass a resolution concurring to the additional costs.

(b) The funds must be deposited in the treasury of the district in amounts and at times as the treasurer of the district requires.

Sec. 10. Minnesota Statutes 2012, section 103B.691, subdivision 2, is amended to read:

**Subd. 2. Municipal funding of district.** (a) The governing body or board of supervisors of each municipality in the district shall provide the funds necessary to meet its proportion of the total cost to be borne by the municipalities as finally certified by the board.

(b) The municipality's funds may be raised by any means within the authority of the municipality. The municipalities may each levy a tax not to exceed .02418 percent of ~~taxable estimated~~ market value on the taxable property located in the district to provide the funds. The levy shall be within all other limitations provided by law.

(c) The funds must be deposited into the treasury of the district in amounts and at times as the treasurer of the district requires.

Sec. 11. Minnesota Statutes 2012, section 103D.905, subdivision 2, is amended to read:

**Subd. 2. Organizational expense fund.** (a) An organizational expense fund, consisting of an ad valorem tax levy, shall not exceed 0.01596 percent of ~~taxable estimated~~ market value, or \$60,000, whichever is less. The money in the fund shall be used for organizational expenses and preparation of the watershed management plan for projects.

(b) The managers may borrow from the affected counties up to 75 percent of the anticipated funds to be collected from the organizational expense fund levy and the counties affected may make the advancements.

(c) The advancement of anticipated funds shall be apportioned among affected counties in the same ratio as the net tax capacity of the area of the counties within the watershed district bears to the net tax capacity of the entire watershed district. If a watershed district is enlarged, an organizational expense fund may be levied against the area added to the watershed district in the same manner as provided in this subdivision.

(d) Unexpended funds collected for the organizational expense may be transferred to the administrative fund and used for the purposes of the administrative fund.

Sec. 12. Minnesota Statutes 2012, section 103D.905, subdivision 3, is amended to read:

**Subd. 3. General fund.** A general fund, consisting of an ad valorem tax levy, may not exceed 0.048 percent of ~~taxable estimated~~ market value, or \$250,000, whichever is less. The money in the fund shall be used for general administrative expenses and for the construction or implementation and maintenance of projects of common benefit to the watershed district. The managers may make an annual levy for the general fund as provided in section 103D.911. In addition to the annual general levy, the managers may annually levy a tax not to exceed 0.00798 percent of ~~taxable estimated~~ market value for a period not to exceed 15 consecutive years to pay the cost attributable to the basic water management features of projects initiated by petition of a political subdivision within the watershed district or by petition of at least 50 resident owners whose property is within the watershed district.

Sec. 13. Minnesota Statutes 2012, section 103D.905, subdivision 8, is amended to read:

**Subd. 8. Survey and data acquisition fund.** (a) A survey and data acquisition fund is established and used only if other funds are not available to the watershed district to pay for making necessary surveys and acquiring data.

(b) The survey and data acquisition fund consists of the proceeds of a property tax that can be levied only once every five years. The levy may not exceed 0.02418 percent of ~~taxable estimated~~ market value.

(c) The balance of the survey and data acquisition fund may not exceed \$50,000.

(d) In a subsequent proceeding for a project where a survey has been made, the attributable cost of the survey as determined by the managers shall be included as a part of the cost of the work and the sum shall be repaid to the survey and data acquisition fund.

Sec. 14. Minnesota Statutes 2012, section 117.025, subdivision 7, is amended to read:

**Subd. 7. Structurally substandard.** "Structurally substandard" means a building:

(1) that was inspected by the appropriate local government and cited for one or more enforceable housing, maintenance, or building code violations;

(2) in which the cited building code violations involve one or more of the following:

(i) a roof and roof framing element;

(ii) support walls, beams, and headers;

(iii) foundation, footings, and subgrade conditions;

(iv) light and ventilation;

(v) fire protection, including egress;

(vi) internal utilities, including electricity, gas, and water;

(vii) flooring and flooring elements; or

(viii) walls, insulation, and exterior envelope;

(3) in which the cited housing, maintenance, or building code violations have not been remedied after two notices to cure the noncompliance; and

(4) has uncured housing, maintenance, and building code violations, satisfaction of which would cost more than 50 percent of the ~~assessor's taxable estimated~~ market value for the building, excluding land value, as determined under section 273.11 for property taxes payable in the year in which the condemnation is commenced.

A local government is authorized to seek from a judge or magistrate an administrative warrant to gain access to inspect a specific building in a proposed development or redevelopment area upon showing of probable cause that a specific code violation has occurred and that the violation has not been cured, and that the owner has denied the local government access to the property. Items of evidence that may support a conclusion of probable cause may include recent fire or police inspections, housing inspection, exterior evidence of deterioration, or other similar reliable evidence of deterioration in the specific building.

Sec. 15. Minnesota Statutes 2012, section 127A.48, subdivision 1, is amended to read:

**Subdivision 1. Computation.** The Department of Revenue must annually conduct an assessment/sales ratio study of the taxable property in each county, city, town, and school district in accordance with the procedures in subdivisions 2 and 3. Based upon the results of this assessment/sales ratio study, the Department of Revenue must determine an aggregate equalized net tax capacity for the various classes of taxable property in each taxing district, the aggregate of which tax capacity shall be is designated as the adjusted net tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission lines required to be subtracted from the local tax base under section 273.425; and increased by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The Department of Revenue must make whatever estimates are necessary to account for changes in the classification system. The Department of Revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted net tax capacity. On or before March 15 annually, the Department of Revenue shall file with the chair of the Tax Committee of the house of representatives and the chair of the Committee on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school districts. On or before June 15 annually, the Department of Revenue shall file its final report on the adjusted net tax capacities for school districts established by the previous year's assessments and the current year's net tax capacity percentages with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each school district involved and to the county assessor or supervisor of assessments of the county or counties in which each school district is located.

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

Sec. 16. Minnesota Statutes 2012, section 138.053, is amended to read:

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

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

Sec. 17. Minnesota Statutes 2012, section 144F.01, subdivision 4, is amended to read:

**Subd. 4. Property tax levy authority.** The district's board may levy a tax on the taxable real and personal property in the district. The ad valorem tax levy may not exceed 0.048 percent of the ~~taxable estimated~~ market value of the district or \$400,000, whichever is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times as provided under section 275.07. The board shall provide the county with whatever information is necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel shall be included in the district. The county auditors must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

Sec. 18. Minnesota Statutes 2012, section 162.07, subdivision 3, is amended to read:

**Subd. 3. Computation for rural counties.** An amount equal to a levy of 0.01596 percent on each rural county's total ~~taxable estimated~~ market value for the last preceding calendar year shall be computed and shall be subtracted from the county's total estimated construction costs. The result thereof shall be the money needs of the county. For the purpose of this section, "rural counties" means all counties having a population of less than 175,000.

Sec. 19. Minnesota Statutes 2012, section 162.07, subdivision 4, is amended to read:

**Subd. 4. Computation for urban counties.** An amount equal to a levy of 0.00967 percent on each urban county's total ~~taxable estimated~~ market value for the last preceding calendar year shall be computed and shall be subtracted from the county's total estimated construction costs. The result thereof shall be the money needs of the county. For the purpose of this section, "urban counties" means all counties having a population of 175,000 or more.

Sec. 20. Minnesota Statutes 2012, section 163.04, subdivision 3, is amended to read:

**Subd. 3. Bridges within certain cities.** When the council of any statutory city or city of the third or fourth class may determine that it is necessary to build or improve any bridge or bridges, including approaches thereto, and any dam or retaining works connected therewith, upon or forming a part of streets or highways either wholly or partly within its limits, the county board shall appropriate one-half of the money as may be necessary therefor from the county road and bridge fund, not exceeding during any year one-half the amount of taxes paid into the county road and bridge fund during the preceding year, on property within the corporate limits of the city. The appropriation shall be made upon the petition of the council, which petition shall be filed by the council with the county board prior to the fixing by the board of the annual county tax levy. The county board shall determine the plans and specifications, shall let all necessary contracts, shall have charge of construction, and upon its request, warrants in payment thereof shall be issued by the county auditor, from time to time, as the construction work proceeds. Any unpaid balance may be paid or advanced by the city. On petition of the council, the appropriations of the county board, during not to exceed three successive years, may be made to apply on the construction of the same items and to repay any money advanced by the city in the construction thereof. None of the provisions of this section shall be construed to be mandatory as applied to any city whose estimated market value exceeds \$2,100 per capita of its population.

Sec. 21. Minnesota Statutes 2012, section 163.06, subdivision 6, is amended to read:

**Subd. 6. Expenditure in certain counties.** In any county having not less than 95 nor more than 105 full and fractional townships, and having a an estimated market value of not less than \$12,000,000 nor more than \$21,000,000, ~~exclusive of money and credits~~, the county board, by resolution, may expend the funds provided in subdivision 4 in any organized ~~or unorganized township town or unorganized territory~~ or portion thereof in such county.

Sec. 22. Minnesota Statutes 2012, section 165.10, subdivision 1, is amended to read:

Subdivision 1. **Certain counties may issue and sell.** The county board of any county having no outstanding road and bridge bonds may issue and sell county road bonds in an amount not exceeding 0.12089 percent of the estimated market value of the taxable property within the county exclusive of money and credits, for the purpose of constructing, reconstructing, improving, or maintaining any bridge or bridges on any highway under its jurisdiction, without submitting the matter to a vote of the electors of the county.

Sec. 23. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision to read:

Subd. 14. **Estimated market value.** "Estimated market value" means the assessor's determination of market value, including the effects of any orders made under section 270.12 or chapter 274, for the parcel. The provisions of section 273.032 apply for certain uses in determining the total estimated market value for the taxing jurisdiction.

Sec. 24. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision to read:

Subd. 15. **Taxable market value.** "Taxable market value" means estimated market value for the parcel as reduced by market value exclusions, deferments of value, or other adjustments required by law, that reduce market value before the application of class rates.

Sec. 25. Minnesota Statutes 2012, section 273.032, is amended to read:

#### **273.032 MARKET VALUE DEFINITION.**

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "taxable estimated market value," and "market valuation," whether equalized or unequalized, mean the total taxable estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

(i) section 273.11, subdivisions 14a and 14c (vacant platted land);

(ii) section 273.11, subdivision 16 (certain improvements to homestead property);

(iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

(iv) section 273.11, subdivision 21 (homestead property damaged by mold);

(v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);

(vi) section 273.13, subdivision 34 (homestead of a disabled veteran or family caregiver);

(vii) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

(i) the Minnesota Agricultural Property Tax Law, section 273.111;

(ii) the Aggregate Resource Preservation Law, section 273.1115;

(iii) the Minnesota Open Space Property Tax Law, section 273.112;

(iv) the rural preserves property tax program, section 273.114; or

(v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

(i) tax increment, financing under sections 469.174 to 469.1794;

(ii) fiscal disparity, disparities under chapter 276A or 473F; or

(iii) powerline credit, or wind energy values, but after the limited market adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16 under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "taxable estimated market value," and "market valuation" for purposes of this paragraph property tax levy limitations and calculation of state aid, refer to the taxable estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

~~For the purpose of determining any net debt limit based on market value, or any limit on the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government before any adjustments for tax increment, fiscal disparity, powerline credit, or wind energy values, but after the limited market value adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16. Unless otherwise provided, "market value," "taxable market value," and "market valuation" for purposes of this paragraph, mean the taxable market value as last finally equalized.~~

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

Sec. 26. Minnesota Statutes 2012, section 273.11, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Except as provided in this section or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. The assessor shall take into account the effect on the market value of property of

environmental factors in the vicinity of the property. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for at a fair, voluntary sale, for cash, if the material being mined or quarried is not subject to taxation under section 298.015 and the mine or quarry is not exempt from the general property tax under section 298.25. In valuing real property which is vacant, platted property shall be assessed as provided in ~~subdivision 14 subdivisions 14a and 14c~~. All property, or the use thereof, which is taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 27. Minnesota Statutes 2012, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the class rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii). The homestead market value ~~credit exclusion~~ under section ~~273.1384~~ ~~273.13, subdivision 35~~, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and thereafter.

Sec. 28. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers, state or federal tax returns or tax return information, including the federal income tax schedule F required by this section, or affidavits or other proofs of the property owners and spouses submitted under this or another section to support a claim for a property tax homestead classification are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead and the homestead market value exclusion under section 273.13, the taconite homestead credit under section 273.135, the ~~residential homestead and~~ agricultural homestead credits credit under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

(l) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

- (i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;
- (ii) the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or spouse of a qualifying relative;
- (iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;
- (iv) an indication of whether the property was classified as a homestead for taxes payable in the current year because of occupancy by a relative of the owner or by a spouse of a relative;
- (v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;
- (vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;
- (vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;
- (viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;
- (ix) whether there are delinquent property taxes owing on the homestead;
- (x) the unique taxing district in which the property is located; and
- (xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and thereafter.

Sec. 29. Minnesota Statutes 2012, section 273.13, subdivision 21b, is amended to read:

Subd. 21b. **Net tax capacity.** (a) Gross tax capacity means the product of the appropriate gross class rates in this section and market values.

(b) Net tax capacity means the product of the appropriate net class rates in this section and taxable market values.

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

Sec. 30. Minnesota Statutes 2012, section 273.1398, subdivision 3, is amended to read:

**Subd. 3. Disparity reduction aid.** The amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon taxable market values for taxes payable in the year prior to that for which aid is being computed. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on taxable market values for taxes payable in the year prior to that for which aid is being computed.

Sec. 31. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

**Subd. 4. Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone, as defined in section 469.166; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's taxable market value and (ii) the tax on class 3a property to 2.3 percent of taxable market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes forgone as the result of the credits in proportion to their total levies.

Sec. 32. Minnesota Statutes 2012, section 275.011, subdivision 1, is amended to read:

**Subdivision 1. Determination of levy limit.** The property tax levied for any purpose under a special law that is not codified in Minnesota Statutes or a city charter provision and that is subject to a mill rate limitation imposed by the special law or city charter provision, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by special law or city charter provision multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year ~~1988 2014~~ and subsequent years under this subdivision, "total market valuation" means the ~~total estimated market valuation~~ value of all taxable property subject to the tax ~~without valuation adjustments for fiscal disparities (chapters 276A and 473F), tax increment financing (sections 469.174 to 469.179), or powerline credit (section 273.425) as provided under section 273.032.~~

Sec. 33. Minnesota Statutes 2012, section 275.077, subdivision 2, is amended to read:

**Subd. 2. Correction of levy amount.** The difference between the correct levy and the erroneous levy shall be added to the township levy for the subsequent levy year; provided that if the amount of the difference exceeds 0.12089 percent of ~~taxable estimated~~ market value, the excess shall be added to the township levy for the second and later subsequent levy years, not to exceed an additional levy of 0.12089 percent of ~~taxable estimated~~ market value in any year, until the full amount of the difference has been levied. The funds collected from the corrected levies shall be used to reimburse the county for the payment required by subdivision 1.

Sec. 34. Minnesota Statutes 2012, section 275.71, subdivision 4, is amended to read:

**Subd. 4. Adjusted levy limit base.** For taxes levied in 2008 through 2010, the adjusted levy limit base is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus the percentage growth in the implicit price deflator, but the percentage shall not be less than zero or exceed 3.9 percent;

(2) one plus a percentage equal to 50 percent of the percentage increase in the number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the ~~taxable estimated~~ market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and railroad property, for the most recent year for which data is available.

Sec. 35. Minnesota Statutes 2012, section 276.04, subdivision 2, is amended to read:

**Subd. 2. Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's homestead market value exclusion under section 273.13, subdivision 35;
- (3) the property's taxable market value ~~after reductions under sections 273.11, subdivisions 1a and 16, and 273.13, subdivision 35~~ section 272.03, subdivision 15;
- (4) the property's gross tax, before credits;
- (5) for homestead agricultural properties, the credit under section 273.1384;
- (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (7) the net tax payable in the manner required in paragraph (a).

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

Sec. 36. Minnesota Statutes 2012, section 276A.01, subdivision 10, is amended to read:

Subd. 10. **Adjusted market value.** "Adjusted market value" of real and personal property within a municipality means the ~~assessor's estimated taxable market value, as defined in section 272.03,~~ of all real and personal property, including the value of manufactured housing, within the municipality.~~—For purposes of sections 276A.01 to 276A.09, the commissioner of revenue shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts, adjusted for sales ratios in a manner similar to the adjustments made to city and town net tax capacities under section 127A.48, subdivisions 1 to 6, in the same manner and at the same times prescribed by the subdivision. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the equalized market value of property within each municipality.~~

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

Sec. 37. Minnesota Statutes 2012, section 276A.01, subdivision 12, is amended to read:

Subd. 12. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation adjusted market value~~, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

Sec. 38. Minnesota Statutes 2012, section 276A.01, subdivision 13, is amended to read:

Subd. 13. **Average fiscal capacity.** "Average fiscal capacity" of municipalities means the sum of the ~~valuations adjusted market values~~ of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Sec. 39. Minnesota Statutes 2012, section 276A.01, subdivision 15, is amended to read:

Subd. 15. **Net tax capacity.** "Net tax capacity" means the taxable market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Sec. 40. Minnesota Statutes 2012, section 276A.06, subdivision 10, is amended to read:

Subd. 10. **Adjustment of values for other computations.** For the purpose of computing ~~the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where the authorization, requirement, or limitation is related to any value or valuation of taxable property within any governmental unit, the value or net tax capacity fiscal capacity under section 276A.01, subdivision 12, a municipality's taxable market value~~ must be adjusted to reflect the ~~adjustments reductions~~ to net tax capacity effected by subdivision 2, clause (a), provided that: (1) in determining the taxable market value of commercial-industrial property or any class thereof within a ~~governmental unit for any purpose other than section 276A.05 municipality~~, (a) the reduction required by this subdivision is that amount which bears the same proportion to the amount subtracted from the ~~governmental unit's municipality's~~ net tax capacity pursuant to subdivision 2, clause (a), as the taxable market value of commercial-industrial property, or such class thereof, located within the ~~governmental unit municipality~~ bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the ~~governmental unit~~, and (b) the increase required by this subdivision is that amount which bears the same proportion to the amount added to the ~~governmental unit's net tax capacity pursuant to subdivision 2, clause (b), as the market value of commercial industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 276A.05, the adjustment prescribed by clause (1)(a) must be made and that prescribed by clause (1)(b) must not be made municipality. No adjustment shall be made to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).~~

Sec. 41. Minnesota Statutes 2012, section 287.08, is amended to read:

#### **287.08 TAX, HOW PAYABLE; RECEIPTS.**

(a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of any county in this state in which the real property or some part is located at or before the time of filing the mortgage for record. The treasurer shall endorse receipt on the mortgage and the receipt is conclusive proof that the tax has been paid in the amount stated and authorizes any county recorder or registrar of titles to record the mortgage. Its form, in substance, shall be "registration tax hereon of ..... dollars paid." If the mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from registration tax." In either case the receipt must be signed by the treasurer. In case the treasurer is unable to determine whether a claim of exemption should be allowed, the tax must be paid as in the case of a taxable mortgage. For documents submitted electronically, the endorsements and tax amount shall be affixed electronically and no signature by the treasurer will be required. The actual payment method must be arranged in advance between the submitter and the receiving county.

(b) The county treasurer may refund in whole or in part any mortgage registry tax overpayment if a written application by the taxpayer is submitted to the county treasurer within 3-1/2 years from the date of the overpayment. If the county has not issued a denial of the application, the taxpayer may bring an action in Tax Court in the county

in which the tax was paid at any time after the expiration of six months from the time that the application was submitted. A denial of refund may be appealed within 60 days from the date of the denial by bringing an action in Tax Court in the county in which the tax was paid. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has or would receive a portion of the tax as paid.

(c) If the county treasurer determines a refund should be paid, or if a refund is ordered by the court, the county treasurer of each county that actually received a portion of the tax shall immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county that received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the 20th day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any mortgage covers real property located in more than one county in this state the total tax must be paid to the treasurer of the county where the mortgage is first presented for recording, and the payment must be received as provided in paragraph (a). If the principal debt or obligation secured by such a multiple county mortgage exceeds \$10,000,000, the nonstate portion of the tax must be divided and paid over by the county treasurer receiving it, on or before the 20th day of each month after receipt, to the county or counties entitled in the ratio that the estimated market value of the real property covered by the mortgage in each county bears to the estimated market value of all the real property in this state described in the mortgage. In making the division and payment the county treasurer shall send a statement giving the description of the real property described in the mortgage and the estimated market value of the part located in each county. For this purpose, the treasurer of any county may require the treasurer of any other county to certify to the former the estimated market valuation value of any tract of real property in any mortgage.

(e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor, the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the amount of the tax collected for that purpose and the mortgagor is relieved of any further obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

Sec. 42. Minnesota Statutes 2012, section 287.23, subdivision 1, is amended to read:

**Subdivision 1. Real property outside county.** If any taxable deed or instrument describes any real property located in more than one county in this state, the total tax must be paid to the treasurer of the county where the document is first presented for recording, and the payment must be received as provided in section 287.08. If the net consideration exceeds \$700,000, the nonstate portion of the tax must be divided and paid over by the county treasurer receiving it, on or before the 20th day of each month after receipt, to the county or counties entitled in the ratio which the estimated market value of the real property covered by the document in each county bears to the estimated market value of all the real property in this state described in the document. In making the division and payment the county treasurer shall send a statement to the other involved counties giving the description of the real property described in the document and the estimated market value of the part located in each county. The treasurer of any county may require the treasurer of any other county to certify to the former the estimated market valuation value of any parcel of real property for this purpose.

Sec. 43. Minnesota Statutes 2012, section 353G.08, subdivision 2, is amended to read:

**Subd. 2. Cash flow funding requirement.** If the executive director determines that an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has insufficient assets to meet the service pensions determined payable from the account, the executive director shall certify the amount of the potential service pension shortfall to the municipality or municipalities and the municipality or municipalities shall make an additional employer contribution to the account within ten days of the certification. If more than one municipality is associated with the account, unless the municipalities agree to a different allocation, the municipalities shall allocate the additional employer contribution one-half in proportion to the population of each municipality and one-half in proportion to the estimated market value of the property of each municipality.

Sec. 44. Minnesota Statutes 2012, section 365.025, subdivision 4, is amended to read:

**Subd. 4. Major purchases: notice, petition, election.** Before buying anything under subdivision 2 that costs more than 0.24177 percent of the estimated market value of the town, the town must follow this subdivision.

The town must publish in its official newspaper the board's resolution to pay for the property over time. Then a petition for an election on the contract may be filed with the clerk. The petition must be filed within ten days after the resolution is published. To require the election the petition must be signed by a number of voters equal to ten percent of the voters at the last regular town election. The contract then must be approved by a majority of those voting on the question. The question may be voted on at a regular or special election.

Sec. 45. Minnesota Statutes 2012, section 366.095, subdivision 1, is amended to read:

**Subdivision 1. Certificates of indebtedness.** The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law. The certificates shall be payable in not more than ten years and be issued on the terms and in the manner as the board may determine. If the amount of the certificates to be issued exceeds 0.25 percent of the estimated market value of the town, they shall not be issued for at least ten days after publication in a newspaper of general circulation in the town of the board's resolution determining to issue them. If within that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular town election is filed with the clerk, the certificates shall not be issued until their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made to pay the principal and interest on the certificates as in the case of bonds.

Sec. 46. Minnesota Statutes 2012, section 366.27, is amended to read:

### **366.27 FIREFIGHTERS' RELIEF; TAX LEVY.**

The town board of any town in this state having therein a platted portion on which resides 1,200 or more people, and wherein a duly incorporated firefighters' relief association is located may each year levy a tax not to exceed 0.00806 percent of ~~taxable~~ estimated market value for the benefit of the relief association.

Sec. 47. Minnesota Statutes 2012, section 368.01, subdivision 23, is amended to read:

**Subd. 23. Financing purchase of certain equipment.** The town board may issue certificates of indebtedness within debt limits to purchase fire or police equipment or ambulance equipment or street construction or maintenance equipment. The certificates shall be payable in not more than five years and be issued on terms and in the manner as the board may determine. If the amount of the certificates to be issued to finance a purchase exceeds 0.24177 percent of the estimated market value of the town, ~~excluding money and credits,~~ they shall not be issued for at least ten days after publication in the official newspaper of a town board resolution determining to issue them. If before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent

of the number of voters at the last regular town election is filed with the clerk, the certificates shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made for the payment of the principal and interest on the certificates as in the case of bonds.

Sec. 48. Minnesota Statutes 2012, section 368.47, is amended to read:

**368.47 TOWNS MAY BE DISSOLVED.**

- (1) When the voters residing within a town have failed to elect any town officials for more than ten years continuously;
- (2) when a town has failed for a period of ten years to exercise any of the powers and functions of a town;
- (3) when the estimated market value of a town drops to less than \$165,000;
- (4) when the tax delinquency of a town, exclusive of taxes that are delinquent or unpaid because they are contested in proceedings for the enforcement of taxes, amounts to 12 percent of its market value; or
- (5) when the state or federal government has acquired title to 50 percent of the real estate of a town,

which facts, or any of them, may be found and determined by the resolution of the county board of the county in which the town is located, according to the official records in the office of the county auditor, the county board by resolution may declare the town, naming it, dissolved and no longer entitled to exercise any of the powers or functions of a town.

In Cass, Itasca, and St. Louis Counties, before the dissolution is effective the voters of the town shall express their approval or disapproval. The town clerk shall, upon a petition signed by a majority of the registered voters of the town, filed with the clerk at least 60 days before a regular or special town election, give notice at the same time and in the same manner of the election that the question of dissolution of the town will be submitted for determination at the election. At the election the question shall be voted upon by a separate ballot, the terms of which shall be either "for dissolution" or "against dissolution." The ballot shall be deposited in a separate ballot box and the result of the voting canvassed, certified, and returned in the same manner and at the same time as other facts and returns of the election. If a majority of the votes cast at the election are for dissolution, the town shall be dissolved. If a majority of the votes cast at the election are against dissolution, the town shall not be dissolved.

When a town is dissolved under sections 368.47 to 368.49 the county shall acquire title to any telephone company or other business conducted by the town. The business shall be operated by the board of county commissioners until it can be sold. The subscribers or patrons of the business shall have the first opportunity of purchase. If the town has any outstanding indebtedness chargeable to the business, the county auditor shall levy a tax against the property situated in the dissolved town to pay the indebtedness as it becomes due.

Sec. 49. Minnesota Statutes 2012, section 370.01, is amended to read:

**370.01 CHANGE OF BOUNDARIES; CREATION OF NEW COUNTIES.**

The boundaries of counties may be changed by taking territory from a county and attaching it to an adjoining county, and new counties may be established out of territory of one or more existing counties. A new county shall contain at least 400 square miles and have at least 4,000 inhabitants. A proposed new county must have a total ~~taxable~~ estimated market value of at least 35 percent of (i) the total ~~taxable~~ estimated market value of the existing county, or (ii) the average total ~~taxable~~ estimated market value of the existing counties, included in the proposition.

The determination of the ~~taxable estimated~~ market value of a county must be made by the commissioner of revenue. An existing county shall not be reduced in area below 400 square miles, have less than 4,000 inhabitants, or have a total ~~taxable estimated~~ market value of less than that required of a new county.

No change in the boundaries of any county having an area of more than 2,500 square miles, whether by the creation of a new county, or otherwise, shall detach from the existing county any territory within 12 miles of the county seat.

Sec. 50. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

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

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and bridges, and the acquisition of development rights in the form of conservation easements under chapter 84C. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(d) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the Metropolitan Council or by the state demographer under section 4A.02.

(e) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(f) "~~Tax capacity~~" means ~~total taxable market value, but does not include captured market value.~~

Sec. 51. Minnesota Statutes 2012, section 373.40, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed 0.12 percent of ~~taxable the estimated~~ market value of property in the county. Calculation of the limit must be made using the ~~taxable estimated~~ market value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 52. Minnesota Statutes 2012, section 375.167, subdivision 1, is amended to read:

Subdivision 1. **Appropriations.** Notwithstanding any contrary law, a county board may appropriate from the general revenue fund to any nonprofit corporation a sum not to exceed 0.00604 percent of ~~taxable~~ estimated market value to provide legal assistance to persons who are unable to afford private legal counsel.

Sec. 53. Minnesota Statutes 2012, section 375.18, subdivision 3, is amended to read:

Subd. 3. **Courthouse.** Each county board may erect, furnish, and maintain a suitable courthouse. No indebtedness shall be created for a courthouse in excess of an amount equal to a levy of 0.04030 percent of ~~taxable~~ estimated market value without the approval of a majority of the voters of the county voting on the question of issuing the obligation at an election.

Sec. 54. Minnesota Statutes 2012, section 375.555, is amended to read:

#### **375.555 FUNDING.**

To implement the county emergency jobs program, the county board may expend an amount equal to what would be generated by a levy of 0.01209 percent of ~~taxable~~ estimated market value. The money to be expended may be from any available funds not otherwise earmarked.

Sec. 55. Minnesota Statutes 2012, section 383B.152, is amended to read:

#### **383B.152 BUILDING AND MAINTENANCE FUND.**

The county board may by resolution levy a tax to provide money which shall be kept in a fund known as the county reserve building and maintenance fund. Money in the fund shall be used solely for the construction, maintenance, and equipping of county buildings that are constructed or maintained by the board. The levy shall not be subject to any limit fixed by any other law or by any board of tax levy or other corresponding body, but shall not exceed 0.02215 percent of ~~taxable~~ estimated market value, less the amount required by chapter 475 to be levied in the year for the payment of the principal of and interest on all bonds issued pursuant to Extra Session Laws 1967, chapter 47, section 1.

Sec. 56. Minnesota Statutes 2012, section 383B.245, is amended to read:

#### **383B.245 LIBRARY LEVY.**

(a) The county board may levy a tax on the taxable property within the county to acquire, better, and construct county library buildings and branches and to pay principal and interest on bonds issued for that purpose.

(b) The county board may by resolution adopted by a five-sevenths vote issue and sell general obligation bonds of the county in the manner provided in sections 475.60 to 475.73. The bonds shall not be subject to the limitations of sections 475.51 to 475.59, but the maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to 0.01612 percent of estimated market value of all taxable property in the county as last finally equalized before the issuance of the new series. When the tax levy authorized in this section is collected it shall be appropriated and credited to a debt service fund for the bonds in amounts required each year in lieu of a countywide tax levy for the debt service fund under section 475.61.

Sec. 57. Minnesota Statutes 2012, section 383B.73, subdivision 1, is amended to read:

**Subdivision 1. Levy.** To provide funds for the purposes of the Three Rivers Park District as set forth in its annual budget, in lieu of the levies authorized by any other special law for such purposes, the Board of Park District Commissioners may levy taxes on all the taxable property in the county and park district at a rate not exceeding 0.03224 percent of estimated market value. Notwithstanding section 398.16, on or before October 1 of each year, after public hearing, the Board of Park District Commissioners shall adopt a budget for the ensuing year and shall determine the total amount necessary to be raised from ad valorem tax levies to meet its budget. The Board of Park District Commissioners shall submit the budget to the county board. The county board may veto or modify an item contained in the budget. If the county board determines to veto or to modify an item in the budget, it must, within 15 days after the budget was submitted by the district board, state in writing the specific reasons for its objection to the item vetoed or the reason for the modification. The Park District Board, after consideration of the county board's objections and proposed modifications, may reapprove a vetoed item or the original version of an item with respect to which a modification has been proposed, by a two-thirds majority. If the district board does not reapprove a vetoed item, the item shall be deleted from the budget. If the district board does not reapprove the original version of a modified item, the item shall be included in the budget as modified by the county board. After adoption of the final budget and no later than October 1, the superintendent of the park district shall certify to the office of the Hennepin County director of tax and public records exercising the functions of the county auditor the total amount to be raised from ad valorem tax levies to meet its budget for the ensuing year. The director of tax and public records shall add the amount of any levy certified by the district to other tax levies on the property of the county within the district for collection by the director of tax and public records with other taxes. When collected, the director shall make settlement of such taxes with the district in the same manner as other taxes are distributed to the other political subdivisions in Hennepin County.

Sec. 58. Minnesota Statutes 2012, section 383E.20, is amended to read:

**383E.20 BONDING FOR COUNTY LIBRARY BUILDINGS.**

The Anoka County Board may, by resolution adopted by a four-sevenths vote, issue and sell general obligation bonds of the county in the manner provided in chapter 475 to acquire, better, and construct county library buildings. The bonds shall not be subject to the requirements of sections 475.57 to 475.59. The maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to .01 percent of the ~~taxable~~ estimated market value of all taxable property in the county, excluding any taxable property taxed by any city for the support of any free public library. When the tax levy authorized in this section is collected, it shall be appropriated and credited to a debt service fund for the bonds. The tax levy for the debt service fund under section 475.61 shall be reduced by the amount available or reasonably anticipated to be available in the fund to make payments otherwise payable from the levy pursuant to section 475.61.

Sec. 59. Minnesota Statutes 2012, section 383E.23, is amended to read:

**383E.23 LIBRARY TAX.**

The Anoka County Board may levy a tax of not more than .01 percent of the ~~taxable~~ estimated market value of taxable property located within the county excluding any taxable property taxed by any city for the support of any free public library, to acquire, better, and construct county library buildings and to pay principal and interest on bonds issued for that purpose. The tax shall be disregarded in the calculation of levies or limits on levies provided by section 373.40, or other law.

Sec. 60. Minnesota Statutes 2012, section 385.31, is amended to read:

**385.31 PAYMENT OF COUNTY ORDERS OR WARRANTS.**

When any order or warrant drawn on the treasurer is presented for payment, if there is money in the treasury for that purpose, the county treasurer shall redeem the same, and write across the entire face thereof the word "redeemed," the date of the redemption, and the treasurer's official signature. If there is not sufficient funds in the proper accounts to pay such orders they shall be numbered and registered in their order of presentation, and proper endorsement thereof shall be made on such orders and they shall be entitled to payment in like order. Such orders shall bear interest at not to exceed the rate of six percent per annum from such date of presentment. The treasurer, as soon as there is sufficient money in the treasury, shall appropriate and set apart a sum sufficient for the payment of the orders so presented and registered, and, if entitled to interest, issue to the original holder a notice that interest will cease in 30 days from the date of such notice; and, if orders thus entitled to priority of payment are not then presented, the next in order of registry may be paid until such orders are presented. No interest shall be paid on any order, except upon a warrant drawn by the county auditor for that purpose, giving the number and the date of the order on account of which the interest warrant is drawn. In any county in this state now or hereafter having a an estimated market value of all taxable property, ~~exclusive of money and credits~~, of not less than \$1,033,000,000, the county treasurer, in order to save payment of interest on county warrants drawn upon a fund in which there shall be temporarily insufficient money in the treasury to redeem the same, may borrow temporarily from any other fund in the county treasury in which there is a sufficient balance to care for the needs of such fund and allow a temporary loan or transfer to any other fund, and may pay such warrants out of such funds. Any such money so transferred and used in redeeming such county warrants shall be returned to the fund from which drawn as soon as money shall come in to the credit of such fund on which any such warrant was drawn and paid as aforesaid. Any county operating on a cash basis may use a combined form of warrant or order and check, which, when signed by the chair of the county board and by the auditor, is an order or warrant for the payment of the claim, and, when countersigned by the county treasurer, is a check for the payment of the amount thereof.

Sec. 61. Minnesota Statutes 2012, section 394.36, subdivision 1, is amended to read:

Subdivision 1. **Continuation of nonconformity; limitations.** Except as provided in subdivision 2, 3, or 4, any nonconformity, including the lawful use or occupation of land or premises existing at the time of the adoption of an official control under this chapter, may be continued, although the use or occupation does not conform to the official control. If the nonconformity or occupancy is discontinued for a period of more than one year, or any nonconforming building or structure is destroyed by fire or other peril to the extent of 50 percent of its estimated market value, any subsequent use or occupancy of the land or premises shall be a conforming use or occupancy.

Sec. 62. Minnesota Statutes 2012, section 398A.04, subdivision 8, is amended to read:

Subd. 8. **Taxation.** Before deciding to exercise the power to tax, the authority shall give six weeks' published notice in all municipalities in the region. If a number of voters in the region equal to five percent of those who voted for candidates for governor at the last gubernatorial election present a petition within nine weeks of the first published notice to the secretary of state requesting that the matter be submitted to popular vote, it shall be submitted at the next general election. The question prepared shall be:

"Shall the regional rail authority have the power to impose a property tax?

Yes .....  
No ....."

If a majority of those voting on the question approve or if no petition is presented within the prescribed time the authority may levy a tax at any annual rate not exceeding 0.04835 percent of estimated market value of all taxable property situated within the municipality or municipalities named in its organization resolution. Its recording officer

shall file, on or before September 15, in the office of the county auditor of each county in which territory under the jurisdiction of the authority is located a certified copy of the board of commissioners' resolution levying the tax, and each county auditor shall assess and extend upon the tax rolls of each municipality named in the organization resolution the portion of the tax that bears the same ratio to the whole amount that the net tax capacity of taxable property in that municipality bears to the net tax capacity of taxable property in all municipalities named in the organization resolution. Collections of the tax shall be remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991, the amount levied for light rail transit purposes under this subdivision shall not exceed 75 percent of the amount levied in 1990 for light rail transit purposes under this subdivision.

Sec. 63. Minnesota Statutes 2012, section 401.05, subdivision 3, is amended to read:

**Subd. 3. Leasing.** (a) A county or joint powers board of a group of counties which acquires or constructs and equips or improves facilities under this chapter may, with the approval of the board of county commissioners of each county, enter into a lease agreement with a city situated within any of the counties, or a county housing and redevelopment authority established under chapter 469 or any special law. Under the lease agreement, the city or county housing and redevelopment authority shall:

(1) construct or acquire and equip or improve a facility in accordance with plans prepared by or at the request of a county or joint powers board of the group of counties and approved by the commissioner of corrections; and

(2) finance the facility by the issuance of revenue bonds.

(b) The county or joint powers board of a group of counties may lease the facility site, improvements, and equipment for a term upon rental sufficient to produce revenue for the prompt payment of the revenue bonds and all interest accruing on them. Upon completion of payment, the lessee shall acquire title. The real and personal property acquired for the facility constitutes a project and the lease agreement constitutes a revenue agreement as provided in sections 469.152 to 469.165. All proceedings by the city or county housing and redevelopment authority and the county or joint powers board shall be as provided in sections 469.152 to 469.165, with the following adjustments:

(1) no tax may be imposed upon the property;

(2) the approval of the project by the commissioner of employment and economic development is not required;

(3) the Department of Corrections shall be furnished and shall record information concerning each project as it may prescribe, in lieu of reports required on other projects to the commissioner of employment and economic development;

(4) the rentals required to be paid under the lease agreement shall not exceed in any year one-tenth of one percent of the estimated market value of property within the county or group of counties as last equalized before the execution of the lease agreement;

(5) the county or group of counties shall provide for payment of all rentals due during the term of the lease agreement in the manner required in subdivision 4;

(6) no mortgage on the facilities shall be granted for the security of the bonds, but compliance with clause (5) may be enforced as a nondiscretionary duty of the county or group of counties; and

(7) the county or the joint powers board of the group of counties may sublease any part of the facilities for purposes consistent with their maintenance and operation.

Sec. 64. Minnesota Statutes 2012, section 410.32, is amended to read:

**410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 65. Minnesota Statutes 2012, section 412.221, subdivision 2, is amended to read:

**Subd. 2. Contracts.** The council shall have power to make such contracts as may be deemed necessary or desirable to make effective any power possessed by the council. The city may purchase personal property through a conditional sales contract and real property through a contract for deed under which contracts the seller is confined to the remedy of recovery of the property in case of nonpayment of all or part of the purchase price, which shall be payable over a period of not to exceed five years. When the contract price of property to be purchased by contract for deed or conditional sales contract exceeds 0.24177 percent of the estimated market value of the city, the city may not enter into such a contract for at least ten days after publication in the official newspaper of a council resolution determining to purchase property by such a contract; and, if before the end of that time a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular city election is filed with the clerk, the city may not enter into such a contract until the proposition has been approved by a majority of the votes cast on the question at a regular or special election.

Sec. 66. Minnesota Statutes 2012, section 412.301, is amended to read:

**412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 67. Minnesota Statutes 2012, section 428A.02, subdivision 1, is amended to read:

**Subdivision 1. *Ordinance.*** The governing body of a city may adopt an ordinance establishing a special service district. Only property that is classified under section 273.13 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located in the special service district, may be subject to the charges imposed by the city on the special service district. Other types of property may be included within the boundaries of the special service district but are not subject to the levies or charges imposed by the city on the special service district. If 50 percent or more of the estimated market value of a parcel of property is classified under section 273.13 as commercial, industrial, or vacant land zoned or designated on a land use plan for commercial or industrial use, or public utility for the current assessment year, then the entire taxable market value of the property is subject to a service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10. The ordinance shall describe with particularity the area within the city to be included in the district and the special services to be furnished in the district. The ordinance may not be adopted until after a public hearing has been held on the question. Notice of the hearing shall include the time and place of hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district that would be subject to a service charge will be given opportunity to be heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

Sec. 68. Minnesota Statutes 2012, section 430.102, subdivision 2, is amended to read:

**Subd. 2. *Council approval; special tax levy limitation.*** The council shall receive and consider the estimate required in subdivision 1 and the items of cost after notice and hearing before it or its appropriate committee as it considers necessary or expedient, and shall approve the estimate, with necessary amendments. The amounts of each item of cost estimated are then appropriated to operate, maintain, and improve the pedestrian mall during the next fiscal year. The amount of the special tax to be charged under subdivision 1, clause (3), must not, however, exceed 0.12089 percent of estimated market value of taxable property in the district. The council shall make any necessary adjustment in costs of operating and maintaining the district to keep the amount of the tax within this limitation.

Sec. 69. Minnesota Statutes 2012, section 447.10, is amended to read:

**447.10 TAX LEVY FOR OPERATING AND MAINTAINING HOSPITAL.**

The governing body of a city of the first class owning a hospital may annually levy a tax to operate and maintain the hospital. The tax must not exceed 0.00806 percent of ~~taxable estimated~~ market value.

Sec. 70. Minnesota Statutes 2012, section 450.19, is amended to read:

**450.19 TOURIST CAMPING GROUNDS.**

A home rule charter or statutory city or town may establish and maintain public tourist camping grounds. The governing body thereof may acquire by lease, purchase, or gift, suitable lands located either within or without the corporate limits for use as public tourist camping grounds and provide for the equipment, operation, and maintenance of the same. The amount that may be expended for the maintenance, improvement, or operation of tourist camping grounds shall not exceed, in any year, a sum equal to 0.00806 percent of ~~taxable estimated~~ market value.

Sec. 71. Minnesota Statutes 2012, section 450.25, is amended to read:

**450.25 MUSEUM, GALLERY, OR SCHOOL OF ARTS OR CRAFTS; TAX LEVY.**

After the acquisition of any museum, gallery, or school of arts or crafts, the board of park commissioners of the city in which it is located shall cause to be included in the annual tax levy upon all the taxable property of the county in which the museum, gallery, or school of arts or crafts is located, a tax of 0.00846 percent of estimated market value. The board shall certify the levy to the county auditor and it shall be added to, and collected with and as part of, the general, real, and personal property taxes, with like penalties and interest, in case of nonpayment and default, and all provisions of law in respect to the levy, collection, and enforcement of other taxes shall, so far as applicable, be followed in respect of these taxes. All of these taxes, penalties, and interest, when collected, shall be paid to the city treasurer of the city in which is located the museum, gallery, or school of arts or crafts and credited to a fund to be known as the park museum fund, and shall be used only for the purposes specified in sections 450.23 to 450.25. Any part of the proceeds of the levy not expended for the purposes specified in section 450.24 may be used for the erection of new buildings for the same purposes.

Sec. 72. Minnesota Statutes 2012, section 458A.10, is amended to read:

**458A.10 PROPERTY TAX.**

The commission shall annually levy a tax not to exceed 0.12089 percent of estimated market value on all the taxable property in the transit area at a rate sufficient to produce an amount necessary for the purposes of sections 458A.01 to 458A.15, other than the payment of principal and interest due on any revenue bonds issued pursuant to section 458A.05. Property taxes levied under this section shall be certified by the commission to the county auditors of the transit area, extended, assessed, and collected in the manner provided by law for the property taxes levied by the governing bodies of cities. The proceeds of the taxes levied under this section shall be remitted by the respective county treasurers to the treasurer of the commission, who shall credit the same to the funds of the commission for use for the purposes of sections 458A.01 to 458A.15 subject to any applicable pledges or limitations on account of tax anticipation certificates or other specific purposes. At any time after making a tax levy under this section and certifying it to the county auditors, the commission may issue general obligation certificates of indebtedness in anticipation of the collection of the taxes as provided by section 412.261.

Sec. 73. Minnesota Statutes 2012, section 458A.31, subdivision 1, is amended to read:

**Subdivision 1. Levy limit.** Notwithstanding anything to the contrary contained in the charter of the city of Duluth, any ordinance thereof, or any statute applicable thereto, limiting the amount levied in any one year for general or special purposes, the city council of the city of Duluth shall each year levy a tax in an amount not to exceed 0.07253 percent of ~~taxable estimated~~ market value, by ordinance. An ordinance fixing the levy shall take effect immediately upon its passage and approval. The proceeds of the levy shall be paid into the city treasury and deposited in the operating fund provided for in section 458A.24, subdivision 3.

Sec. 74. Minnesota Statutes 2012, section 465.04, is amended to read:

#### **465.04 ACCEPTANCE OF GIFTS.**

Cities of the second, third, or fourth class, having at any time ~~a~~ an estimated market value of not more than \$41,000,000, ~~exclusive of money and credits~~, as officially equalized by the commissioner of revenue, either under home rule charter or under the laws of this state, in addition to all other powers possessed by them, hereby are authorized and empowered to receive and accept gifts and donations for the use and benefit of such cities and the inhabitants thereof upon terms and conditions to be approved by the governing bodies of such cities; and such cities are authorized to comply with and perform such terms and conditions, which may include payment to the donor or donors of interest on the value of the gift at not exceeding five percent per annum payable annually or semiannually, during the remainder of the natural life or lives of such donor or donors.

Sec. 75. Minnesota Statutes 2012, section 469.033, subdivision 6, is amended to read:

**Subd. 6. Operation area as taxing district, special tax.** All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy a tax upon all taxable property within that taxing district. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed 0.0185 percent of ~~taxable estimated~~ market value. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget.

Sec. 76. Minnesota Statutes 2012, section 469.034, subdivision 2, is amended to read:

**Subd. 2. General obligation revenue bonds.** (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors, and the maturities may extend to not more than 35 years for obligations sold to finance housing for the elderly and 40 years for other obligations issued under this subdivision. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the ~~taxable estimated~~ market value of the general jurisdiction governmental unit whose general obligation is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located. The project must be owned for the term of the bonds either by the authority or by a limited partnership or other entity in which the authority or another entity under the sole control of the authority is the sole general partner and the partnership or other entity must receive (1) an allocation from the Department of Management and Budget or an entitlement issuer of tax-exempt bonding authority for the project and a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for four percent low-income housing tax credits or (2) a reservation of nine percent low-income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

(f) The authority may issue bonds to refund bonds issued under this subdivision in accordance with section 475.67. The finding of the adequacy of pledged revenues required by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the issuance of refunding bonds. This paragraph applies to refunding bonds issued on and after July 1, 1992.

Sec. 77. Minnesota Statutes 2012, section 469.053, subdivision 4, is amended to read:

Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813 percent of ~~taxable estimated~~ market value. The amount levied must be paid by the city treasurer to the treasurer of the port authority, to be spent by the authority.

Sec. 78. Minnesota Statutes 2012, section 469.053, subdivision 4a, is amended to read:

Subd. 4a. **Seaway port authority levy.** A levy made under this subdivision shall replace the mandatory city levy under subdivision 4. A seaway port authority is a special taxing district under section 275.066 and may levy a tax in any year for the benefit of the seaway port authority. The tax must not exceed 0.01813 percent of ~~taxable estimated~~ market value. The county auditor shall distribute the proceeds of the property tax levy to the seaway port authority.

Sec. 79. Minnesota Statutes 2012, section 469.053, subdivision 6, is amended to read:

Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port authority's city may levy a tax to be spent by and for its port authority. The tax must enable the port authority to carry out efficiently and in the public interest sections 469.048 to 469.068 to create and develop industrial development districts. The levy must not be more than 0.00282 percent of ~~taxable estimated~~ market value. The county treasurer shall pay the proceeds of the tax to the port authority treasurer. The money may be spent by the authority in performance of its duties to create and develop industrial development districts. In spending the money the authority must judge what best serves the public interest. The levy in this subdivision is in addition to the levy in subdivision 4.

Sec. 80. Minnesota Statutes 2012, section 469.107, subdivision 1, is amended to read:

Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in any year for the benefit of the authority. The tax must be not more than 0.01813 percent of ~~taxable estimated~~ market value. The amount levied must be paid by the city treasurer to the treasurer of the authority, to be spent by the authority.

Sec. 81. Minnesota Statutes 2012, section 469.180, subdivision 2, is amended to read:

Subd. 2. **Tax levies.** Notwithstanding any law, the county board of any county may appropriate from the general revenue fund a sum not to exceed a county levy of 0.00080 percent of ~~taxable estimated~~ market value to carry out the purposes of this section.

Sec. 82. Minnesota Statutes 2012, section 469.187, is amended to read:

#### **469.187 FIRST CLASS CITY SPENDING FOR PUBLICITY; PUBLICITY BOARD.**

Any city of the first class may expend money for city publicity purposes. The city may levy a tax, not exceeding 0.00080 percent of ~~taxable estimated~~ market value. The proceeds of the levy shall be expended in the manner and for the city publicity purposes the council directs. The council may establish and provide for a publicity board or bureau to administer the fund, subject to the conditions and limitations the council prescribes by ordinance.

Sec. 83. Minnesota Statutes 2012, section 469.206, is amended to read:

#### **469.206 HAZARDOUS PROPERTY PENALTY.**

A city may assess a penalty up to one percent of the estimated market value of real property, including any building located within the city that the city determines to be hazardous as defined in section 463.15, subdivision 3. The city shall send a written notice to the address to which the property tax statement is sent at least 90 days before it may assess the penalty. If the owner of the property has not paid the penalty or fixed the property within 90 days after receiving notice of the penalty, the penalty is considered delinquent and is increased by 25 percent each 60 days the penalty is not paid and the property remains hazardous. For the purposes of this section, a penalty that is delinquent is considered a delinquent property tax and subject to chapters 279, 280, and 281, in the same manner as delinquent property taxes.

Sec. 84. Minnesota Statutes 2012, section 471.24, is amended to read:

**471.24 TOWNS, STATUTORY CITIES; JOINT MAINTENANCE OF CEMETERY.**

Where a statutory city or town owns and maintains an established cemetery or burial ground, either within or without the municipal limits, the statutory city or town may, by mutual agreement with contiguous statutory cities and towns, each having a an estimated market value of not less than \$2,000,000, join together in the maintenance of such public cemetery or burial ground for the use of the inhabitants of each of such municipalities; and each such municipality is hereby authorized, by action of its council or governing body, to levy a tax or make an appropriation for the annual support and maintenance of such cemetery or burial ground; provided, the amount thus appropriated by each municipality shall not exceed a total of \$10,000 in any one year.

Sec. 85. Minnesota Statutes 2012, section 471.571, subdivision 1, is amended to read:

Subdivision 1. **Application.** This section applies to each city in which the net tax capacity of real and personal property consists in part of iron ore or lands containing taconite or semitaconite and in which the total ~~taxable~~ estimated market value of real and personal property exceeds \$2,500,000.

Sec. 86. Minnesota Statutes 2012, section 471.571, subdivision 2, is amended to read:

Subd. 2. **Creation of fund, tax levy.** The governing body of the city may create a permanent improvement and replacement fund to be maintained by an annual tax levy. The governing body may levy a tax in excess of any charter limitation for the support of the permanent improvement and replacement fund, but not exceeding the following:

- (a) in cities having a population of not more than 500 inhabitants, the lesser of \$20 per capita or 0.08059 percent of ~~taxable~~ estimated market value;
- (b) in cities having a population of more than 500 and less than ~~2500~~ 2,500, the greater of \$12.50 per capita or \$10,000 but not exceeding 0.08059 percent of ~~taxable~~ estimated market value;
- (c) in cities having a population of ~~more than 2500~~ 2,500 or ~~more~~ inhabitants, the greater of \$10 per capita or \$31,500 but not exceeding 0.08059 percent of ~~taxable~~ estimated market value.

Sec. 87. Minnesota Statutes 2012, section 471.73, is amended to read:

**471.73 ACCEPTANCE OF PROVISIONS.**

In the case of any city within the class specified in section 471.72 having a an estimated market value, ~~as defined in section 471.72~~, in excess of \$37,000,000; and in the case of any statutory city within such class having a an estimated market value, ~~as defined in section 471.72~~, of less than \$5,000,000; and in the case of any statutory city within such class which is governed by Laws 1933, chapter 211, or Laws 1937, chapter 356; and in the case of any statutory city within such class which is governed by Laws 1929, chapter 208, and has a an estimated market value of less than \$83,000,000; and in the case of any school district within such class having a an estimated market value, ~~as defined in section 471.72~~, of more than \$54,000,000; and in the case of all towns within said class; sections 471.71 to 471.83 apply only if the governing body of the city or statutory city, the board of the school district, or the town board of the town shall have adopted a resolution determining to issue bonds under the provisions of sections 471.71 to 471.83 or to go upon a cash basis in accordance with the provisions thereof.

Sec. 88. Minnesota Statutes 2012, section 473.325, subdivision 2, is amended to read:

**Subd. 2. Chapter 475 applies; exceptions.** The Metropolitan Council shall sell and issue the bonds in the manner provided in chapter 475, and shall have the same powers and duties as a municipality issuing bonds under that law, except that the approval of a majority of the electors shall not be required and the net debt limitations shall not apply. The terms of each series of bonds shall be fixed so that the amount of principal and interest on all outstanding and undischarged bonds, together with the bonds proposed to be issued, due in any year shall not exceed 0.01209 percent of estimated market value of all taxable property in the metropolitan area as last finally equalized prior to a proposed issue. The bonds shall be secured in accordance with section 475.61, subdivision 1, and any taxes required for their payment shall be levied by the council, shall not affect the amount or rate of taxes which may be levied by the council for other purposes, shall be spread against all taxable property in the metropolitan area and shall not be subject to limitation as to rate or amount. Any taxes certified by the council to the county auditors for collection shall be reduced by the amount received by the council from the commissioner of management and budget or the federal government for the purpose of paying the principal and interest on bonds to which the levy relates. The council shall certify the fact and amount of all money so received to the county auditors, and the auditors shall reduce the levies previously made for the bonds in the manner and to the extent provided in section 475.61, subdivision 3.

Sec. 89. Minnesota Statutes 2012, section 473.629, is amended to read:

#### **473.629 VALUE OF PROPERTY FOR BOND ISSUES BY SCHOOL DISTRICTS.**

As to any lands ~~to be~~ detached from any school district under ~~the provisions hereof~~ section 473.625, notwithstanding ~~such prospective~~ the detachment, the estimated market value of such the detached lands and ~~the net tax capacity of~~ taxable properties ~~now located~~ therein or thereon shall be and on the lands on the date of the detachment constitute from and after ~~the date of the enactment hereof~~ a part of the estimated market value of properties ~~upon the basis of which such used to calculate the net debt limit of the school district may issue its bonds.~~ The value of such the lands for such purpose to be and other taxable properties for purposes of the school district's net debt limit are 33-1/3 percent of the estimated market value thereof as determined and certified by said the assessor to said the school district, and it shall be the duty of such the assessor annually on or before the tenth day of October from and after the passage hereof, to so of each year, shall determine and certify that value; provided, however, that the value of such the detached lands and such taxable properties shall never exceed 20 percent of the estimated market value of all properties constituting and making up the basis aforesaid used to calculate the net debt limit of the school district.

Sec. 90. Minnesota Statutes 2012, section 473.661, subdivision 3, is amended to read:

**Subd. 3. Levy limit.** In any budget certified by the commissioners under this section, the amount included for operation and maintenance shall not exceed an amount which, when extended against the property taxable therefor under section 473.621, subdivision 5, will require a levy at a rate of 0.00806 percent of estimated market value. Taxes levied by the corporation shall not affect the amount or rate of taxes which may be levied by any other local government unit within the metropolitan area under the provisions of any charter.

Sec. 91. Minnesota Statutes 2012, section 473.667, subdivision 9, is amended to read:

**Subd. 9. Additional taxes.** Nothing herein shall prevent the commission from levying a tax not to exceed 0.00121 percent of estimated market value on taxable property within its taxing jurisdiction, in addition to any levies found necessary for the debt service fund authorized by section 473.671. Nothing herein shall prevent the levy and appropriation for purposes of the commission of any other tax on property or on any income, transaction, or privilege, when and if authorized by law. All collections of any taxes so levied shall be included in the revenues appropriated for the purposes referred to in this section, unless otherwise provided in the law authorizing the levies; but no covenant as to the continuance or as to the rate and amount of any such levy shall be made with the holders of the commission's bonds unless specifically authorized by law.

Sec. 92. Minnesota Statutes 2012, section 473.671, is amended to read:

**473.671 LIMIT OF TAX LEVY.**

The taxes levied against the property of the metropolitan area in any one year shall not exceed 0.00806 percent of ~~taxable estimated~~ market value, exclusive of taxes levied to pay the principal or interest on any bonds or indebtedness of the city issued under Laws 1943, chapter 500, and exclusive of any taxes levied to pay the share of the city for payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the maximum rate allowed to be levied to defray the cost of government under the provisions of the charter of any city affected by Laws 1943, chapter 500.

Sec. 93. Minnesota Statutes 2012, section 473.711, subdivision 2a, is amended to read:

Subd. 2a. **Tax levy.** (a) The commission may levy a tax on all taxable property in the district as defined in section 473.702 to provide funds for the purposes of sections 473.701 to 473.716. The tax shall not exceed the property tax levy limitation determined in this subdivision. A participating county may agree to levy an additional tax to be used by the commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and commission's taxes may not exceed the county's proportionate share of the property tax levy limitation determined under this subdivision based on the ratio of its total net tax capacity to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision 3. The auditor of each county in the district shall add the amount of the levy made by the district to other taxes of the county for collection by the county treasurer with other taxes. When collected, the county treasurer shall make settlement of the tax with the district in the same manner as other taxes are distributed to political subdivisions. No county shall levy any tax for mosquito, disease vectoring tick, and black gnat (Simuliidae) control except under this section. The levy shall be in addition to other taxes authorized by law.

(b) The property tax levied by the Metropolitan Mosquito Control Commission shall not exceed the product of (i) the commission's property tax levy limitation for the previous year determined under this subdivision multiplied by (ii) an index for market valuation changes equal to the total ~~estimated~~ market ~~valuation~~ value of all taxable property for the current tax payable year located within the district plus any area that has been added to the district since the previous year, divided by the total ~~estimated~~ market ~~valuation~~ value of all taxable property located within the district for the previous taxes payable year.

~~(c) For the purpose of determining the commission's property tax levy limitation under this subdivision, "total market valuation" means the total market valuation of all taxable property within the district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).~~

Sec. 94. Minnesota Statutes 2012, section 473F.02, subdivision 12, is amended to read:

Subd. 12. **Adjusted market value.** ~~"Adjusted market value" of real and personal property within a municipality means the assessor's estimated taxable market value, as defined in section 272.03, of all real and personal property, including the value of manufactured housing, within the municipality, adjusted for sales ratios in a manner similar to the adjustments made to city and town net tax capacities. For purposes of sections 473F.01 to 473F.13, the commissioner of revenue shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts under section 127A.48, subdivisions 1 to 6, in the same manner and at the same times as are prescribed by the subdivisions. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the equalized market value of property within each municipality using the aggregate sales ratios from the Department of Revenue's sales ratio study.~~

Sec. 95. Minnesota Statutes 2012, section 473F.02, subdivision 14, is amended to read:

Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation adjusted market value~~, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

Sec. 96. Minnesota Statutes 2012, section 473F.02, subdivision 15, is amended to read:

Subd. 15. **Average fiscal capacity.** "Average fiscal capacity" of municipalities means the sum of the ~~valuations adjusted market values~~ of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Sec. 97. Minnesota Statutes 2012, section 473F.02, subdivision 23, is amended to read:

Subd. 23. **Net tax capacity.** "Net tax capacity" means the taxable market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Sec. 98. Minnesota Statutes 2012, section 473F.08, subdivision 10, is amended to read:

Subd. 10. **Adjustment of value or net tax capacity.** For the purpose of computing the ~~amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where such authorization, requirement, or limitation is related in any manner to any value or valuation of taxable property within any governmental unit, such value or net tax capacity fiscal capacity under section 473F.02, subdivision 14, a municipality's taxable market value~~ shall be adjusted to reflect the ~~adjustments reductions~~ to net tax capacity effected by subdivision 2, clause (a), provided that: (1) in determining the taxable market value of commercial-industrial property or any class thereof within a ~~governmental unit for any purpose other than section 473F.07 municipality~~, (a) the reduction required by this subdivision shall be that amount which bears the same proportion to the amount subtracted from the ~~governmental unit's~~ municipality's net tax capacity pursuant to subdivision 2, clause (a), as the taxable market value of commercial-industrial property, or such class thereof, located within the ~~governmental unit~~ municipality bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the ~~governmental unit~~, and (b) the increase required by this subdivision shall be that amount which bears the same proportion to the amount added to the ~~governmental unit's~~ net tax capacity pursuant to subdivision 2, clause (b), as the market value of commercial industrial property, or such class thereof, located within the ~~governmental unit~~ bears to the net tax capacity of commercial industrial property, or such class thereof, located within the ~~governmental unit~~; and (2) in determining the market value of real property within a municipality for purposes of section 473F.07, the adjustment prescribed by clause (1)(a) hereof shall be made and that prescribed by clause (1)(b) hereof shall not be made municipality. No adjustment shall be made to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

Sec. 99. Minnesota Statutes 2012, section 475.521, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued under this section, including the bonds to be issued, will equal or exceed 0.16 percent of the taxable estimated market value of property in the municipality. Calculation of the limit must be made using the taxable estimated market value for the taxes payable year in which the obligations are issued and sold. In the case of a municipality with a population of 2,500 or more, the bonds are subject to the net debt limits under section 475.53. In the case of a shared facility in which more than one municipality participates, upon compliance by each participating municipality with the requirements of subdivision 2, the limitations in this subdivision and the net debt represented by the bonds shall be allocated to each participating municipality in proportion to its required financial contribution to the financing of the shared facility, as set forth in the joint powers agreement relating to the shared facility. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 100. Minnesota Statutes 2012, section 475.53, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to 475.74, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the estimated market value of taxable property in the municipality.

Sec. 101. Minnesota Statutes 2012, section 475.53, subdivision 3, is amended to read:

Subd. 3. **Cities first class.** Unless its charter permits a greater net debt a city of the first class may not incur a net debt in excess of two percent of the estimated market value of all taxable property therein. If the charter of the city permits a net debt of the city in excess of two percent of its valuation, it may not incur a net debt in excess of 3-2/3 percent of the estimated market value of the taxable property therein.

The county auditor, at the time of preparing the tax list of the city, shall compile a statement setting forth the total net tax capacity and the total estimated market value of each class of taxable property in such city for such year.

Sec. 102. Minnesota Statutes 2012, section 475.53, subdivision 4, is amended to read:

Subd. 4. **School districts.** Except as otherwise provided by law, no school district shall be subject to a net debt in excess of 15 percent of the actual estimated market value of all taxable property situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the estimated market value of all such property. Whenever the commissioner of revenue, in accordance with section 127A.48, subdivisions 1 to 6, has determined that the net tax capacity of any district furnished by county auditors is not based upon the adjusted market value of taxable property in the district exceeds the estimated market value of property within the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between such the estimated market value and the actual adjusted market value of property within the district, and the actual market value of property within a district, on which its debt limit under this subdivision is will be based, is (a) the value certified by the county auditors, or (b) this on the estimated market value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.

Sec. 103. Minnesota Statutes 2012, section 475.58, subdivision 2, is amended to read:

Subd. 2. **Funding, refunding.** Any county, city, town, or school district whose outstanding gross debt, including all items referred to in section 475.51, subdivision 4, exceed in amount 1.62 percent of its estimated market value may issue bonds under this subdivision for the purpose of funding or refunding such indebtedness or any part thereof. A list of the items of indebtedness to be funded or refunded shall be made by the recording officer and treasurer and filed in the office of the recording officer. The initial resolution of the governing body shall refer to this subdivision as authority for the issue, state the amount of bonds to be issued and refer to the list of indebtedness to be funded or refunded. This resolution shall be published once each week for two successive weeks in a legal newspaper published in the municipality or if there be no such newspaper, in a legal newspaper published in the county seat. Such bonds may be issued without the submission of the question of their issue to the electors unless within ten days after the second publication of the resolution a petition requesting such election signed by ten or more voters who are taxpayers of the municipality, shall be filed with the recording officer. In event such petition is filed, no bonds shall be issued hereunder unless authorized by a majority of the electors voting on the question.

Sec. 104. Minnesota Statutes 2012, section 475.73, subdivision 1, is amended to read:

Subdivision 1. **May purchase these bonds; conditions.** Obligations sold under the provisions of section 475.60 may be purchased by the State Board of Investment if the obligations meet the requirements of section 11A.24, subdivision 2, upon the approval of the attorney general as to form and execution of the application

therefor, and under rules as the board may specify, and the state board shall have authority to purchase the same to an amount not exceeding 3.63 percent of the estimated market value of the taxable property of the municipality, according to the last preceding assessment. The obligations shall not run for a shorter period than one year, nor for a longer period than 30 years and shall bear interest at a rate to be fixed by the state board but not less than two percent per annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by virtue thereof, the commissioner of management and budget shall certify to the respective auditors of the various counties wherein are situated the municipalities issuing the same, the number, denomination, amount, rate of interest and date of maturity of each obligation.

Sec. 105. Minnesota Statutes 2012, section 477A.011, subdivision 20, is amended to read:

~~Subd. 20. City net tax capacity. "City net tax capacity" means (1) the net tax capacity computed using the net tax capacity rates in section 273.13 for taxes payable in the year of the aid distribution, and the market values, after the exclusion in section 273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2, paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing city net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values the city's adjusted net tax capacity under section 273.1325.~~

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

Sec. 106. Minnesota Statutes 2012, section 477A.011, subdivision 32, is amended to read:

**Subd. 32. Commercial industrial percentage.** "Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, to the total estimated market value of all taxable real and personal property in the city. The estimated market values are the amounts computed before any adjustments for fiscal disparities under section 276A.06 or 473F.08. The estimated market values used for this subdivision are not equalized.

**EFFECTIVE DATE.** This section is effective for aids payable in 2014 and thereafter.

Sec. 107. Minnesota Statutes 2012, section 477A.0124, subdivision 2, is amended to read:

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

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population over age 65 within the county divided by the percentage of the population over age 65 within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population over age 65" means the population over age 65 established as of July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state

demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the ~~net tax capacity of the county, computed analogously to city net tax capacity under section 477A.011, subdivision 20~~ county's adjusted net tax capacity under section 273.1325.

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

Sec. 108. Minnesota Statutes 2012, section 641.23, is amended to read:

**641.23 FUNDS; HOW PROVIDED.**

Before any contract is made for the erection of a county jail, sheriff's residence, or both, the county board shall either levy a sufficient tax to provide the necessary funds, or issue county bonds therefor in accordance with the provisions of chapter 475, provided that no election is required if the amount of all bonds issued for this purpose and interest on them which are due and payable in any year does not exceed an amount equal to 0.09671 percent of estimated market value of taxable property within the county, as last determined before the bonds are issued.

Sec. 109. Minnesota Statutes 2012, section 641.24, is amended to read:

**641.24 LEASING.**

The county may, by resolution of the county board, enter into a lease agreement with any statutory or home rule charter city situated within the county, or a county housing and redevelopment authority established pursuant to chapter 469 or any special law whereby the city or county housing and redevelopment authority will construct a jail or other law enforcement facilities for the county sheriff, deputy sheriffs, and other employees of the sheriff and other law enforcement agencies, in accordance with plans prepared by or at the request of the county board and, when required, approved by the commissioner of corrections and will finance it by the issuance of revenue bonds, and the county may lease the site and improvements for a term and upon rentals sufficient to produce revenue for the prompt payment of the bonds and all interest accruing thereon and, upon completion of payment, will acquire title thereto. The real and personal property acquired for the jail shall constitute a project and the lease agreement shall constitute a revenue agreement as contemplated in chapter 469, and all proceedings shall be taken by the city or county housing and redevelopment authority and the county in the manner and with the force and effect provided in chapter 469; provided that:

(1) no tax shall be imposed upon or in lieu of a tax upon the property;

- (2) the approval of the project by the commissioner of commerce shall not be required;
- (3) the Department of Corrections shall be furnished and shall record such information concerning each project as it may prescribe;
- (4) the rentals required to be paid under the lease agreement shall not exceed in any year one-tenth of one percent of the estimated market value of property within the county, as last finally equalized before the execution of the agreement;
- (5) the county board shall provide for the payment of all rentals due during the term of the lease, in the manner required in section 641.264, subdivision 2;
- (6) no mortgage on the property shall be granted for the security of the bonds, but compliance with clause (5) hereof may be enforced as a nondiscretionary duty of the county board; and
- (7) the county board may sublease any part of the jail property for purposes consistent with the maintenance and operation of a county jail or other law enforcement facility.

Sec. 110. Minnesota Statutes 2012, section 645.44, is amended by adding a subdivision to read:

Subd. 20. **Estimated market value.** When used in determining or calculating a limit on taxation, spending, state aid amounts, or debt, bond, certificate of indebtedness, or capital note issuance by or for a local government unit, "estimated market value" has the meaning given in section 273.032.

Sec. 111. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall recodify Minnesota Statutes, section 127.48, subdivisions 1 to 6, as section 273.1325, subdivisions 1 to 6, and change all cross-references to the affected subdivisions accordingly.

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

Sec. 112. **REPEALER.**

Minnesota Statutes 2012, sections 276A.01, subdivision 11; 473F.02, subdivision 13; and 477A.011, subdivision 21, are repealed.

Sec. 113. **EFFECTIVE DATE.**

Unless otherwise specifically provided, this article is effective the day following final enactment for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, and capital notes and is effective beginning for taxes payable in 2014 for all other purposes.

**ARTICLE 15**  
**DEPARTMENT OF REVENUE INCOME**  
**AND FRANCHISE TAXES; ESTATE TAXES**

Section 1. Minnesota Statutes 2012, section 289A.10, is amended by adding a subdivision to read:

Subd. 1a. **Recapture tax return required.** If a disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as defined under section 291.03, subdivision 8, paragraph (c), or personal representative of the decedent's estate must submit a recapture tax return to the commissioner.

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

Sec. 2. Minnesota Statutes 2012, section 289A.12, subdivision 14, is amended to read:

**Subd. 14. Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder by February 15 of the year following the year of the payment. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the regulated investment company must file a copy of the return with the commissioner.

~~(b) This subdivision applies to regulated investment companies required to register under chapter 80A.~~

~~(e)~~ (b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

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

Sec. 3. Minnesota Statutes 2012, section 289A.12, is amended by adding a subdivision to read:

~~Subd. 18. Returns by qualified heirs. A qualified heir, as defined in section 291.03, subdivision 8, paragraph (c), must file two returns with the commissioner attesting that no disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), occurred. The first return must be filed no earlier than 24 months and no later than 26 months after the decedent's death. The second return must be filed no earlier than 36 months and no later than 39 months after the decedent's death.~~

**EFFECTIVE DATE.** This section is effective for returns required to be filed after December 31, 2013.

Sec. 4. Minnesota Statutes 2012, section 289A.18, is amended by adding a subdivision to read:

~~Subd. 3a. Recapture tax return. A recapture tax return must be filed with the commissioner within six months after the date of the disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a).~~

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

Sec. 5. Minnesota Statutes 2012, section 289A.20, subdivision 3, is amended to read:

**Subd. 3. Estate tax.** Taxes imposed by ~~chapter 294~~ section 291.03, subdivision 1, take effect at and upon the death of the person whose estate is subject to taxation and are due and payable on or before the expiration of nine months from that death.

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

Sec. 6. Minnesota Statutes 2012, section 289A.20, is amended by adding a subdivision to read:

Subd. 3a. **Recapture tax.** The additional estate tax imposed by section 291.03, subdivision 11, paragraph (b), is due and payable on or before the expiration of the date provided by section 291.03, subdivision 11, paragraph (c).

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

Sec. 7. Minnesota Statutes 2012, section 289A.26, subdivision 3, is amended to read:

**Subd. 3. Short taxable year.** (a) A corporation or an entity with a short taxable year of less than 12 months, but at least four months, must pay estimated tax in equal installments on or before the 15th day of the third, sixth, ninth, and final month of the short taxable year, to the extent applicable based on the number of months in the short taxable year.

(b) A corporation or an entity is not required to make estimated tax payments for a short taxable year unless its tax liability before the first day of the last month of the taxable year can reasonably be expected to exceed \$500.

(c) No payment is required for a short taxable year of less than four months.

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

Sec. 8. Minnesota Statutes 2012, section 289A.26, subdivision 4, is amended to read:

**Subd. 4. Underpayment of estimated tax.** If there is an underpayment of estimated tax by a corporation or an entity, there shall be added to the tax for the taxable year an amount determined at the rate in section 270C.40 on the amount of the underpayment, determined under subdivision 5, for the period of the underpayment determined under subdivision 6. This subdivision does not apply in the first taxable year that a corporation is subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed under section 290.05, subdivision 3.

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

Sec. 9. Minnesota Statutes 2012, section 289A.26, subdivision 7, is amended to read:

**Subd. 7. Required installments.** (a) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(b) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(1) 100 percent of the tax shown on the return for the taxable year, or, if no return is filed, 100 percent of the tax for that year; or

(2) 100 percent of the tax shown on the return of the corporation or entity for the preceding taxable year provided the return was for a full 12-month period, showed a liability, and was filed by the corporation or entity.

(c) Except for determining the first required installment for any taxable year, paragraph (b), clause (2), does not apply in the case of a large corporation. The term "large corporation" means a corporation or any predecessor corporation that had taxable net income of \$1,000,000 or more for any taxable year during the testing period. The term "testing period" means the three taxable years immediately preceding the taxable year involved. A reduction allowed to a large corporation for the first installment that is allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next required installment by the amount of the reduction.

(d) In the case of a required installment, if the corporation or entity establishes that the annualized income installment is less than the amount determined in paragraph (a), the amount of the required installment is the annualized income installment and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing later required installments to the extent the reductions have not previously been recovered.

(e) The "annualized income installment" is the excess, if any, of:

(1) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(i) for the first two months of the taxable year, in the case of the first required installment;

(ii) for the first two months or for the first five months of the taxable year, in the case of the second required installment;

(iii) for the first six months or for the first eight months of the taxable year, in the case of the third required installment; and

(iv) for the first nine months or for the first 11 months of the taxable year, in the case of the fourth required installment, over

(2) the aggregate amount of any prior required installments for the taxable year.

(3) For the purpose of this paragraph, the annualized income shall be computed by placing on an annualized basis the taxable income for the year up to the end of the month preceding the due date for the quarterly payment multiplied by 12 and dividing the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as the case may be) referred to in clause (1).

(4) The "applicable percentage" used in clause (1) is:

For the following required installments:	The applicable percentage is:
--	-------------------------------

1st	25
2nd	50
3rd	75
4th	100

(f)(1) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for the months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for the months during the taxable year preceding the filing month;

(iii) determine the tax on the amount determined under item (ii); and

(iv) multiply the tax computed under item (iii) by the base period percentage for the filing month and the months during the taxable year preceding the filing month.

(2) For purposes of this paragraph:

(i) the "base period percentage" for a period of months is the average percent that the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;

(ii) the term "filing month" means the month in which the installment is required to be paid;

(iii) this paragraph only applies if the base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent; and

(iv) the commissioner may provide by rule for the determination of the base period percentage in the case of reorganizations, new corporations or entities, and other similar circumstances.

(3) In the case of a required installment determined under this paragraph, if the corporation or entity determines that the installment is less than the amount determined in paragraph (a), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing later required installments to the extent the reductions have not previously been recovered.

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

Sec. 10. Minnesota Statutes 2012, section 289A.26, subdivision 9, is amended to read:

Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity that fails to file an estimated tax for a taxable year when one is required, the period of the underpayment runs from the four installment dates in subdivision 2 or 3, whichever applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

Sec. 11. Minnesota Statutes 2012, section 290.9705, subdivision 1, is amended to read:

Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this section, "person" means a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota.

(b) A person who in the regular course of business is hiring, contracting, or having a contract with a nonresident person or foreign corporation, as defined in Minnesota Statutes 1986, section 290.01, subdivision 5, to perform construction work in Minnesota, shall deduct and withhold eight percent of cumulative calendar year payments made to the contractor which exceed if the value of the contract exceeds \$50,000.

**EFFECTIVE DATE.** This section is effective for payments made to contractors after December 31, 2013.

**ARTICLE 16**  
**DEPARTMENT OF REVENUE**  
**SALES AND USE TAXES; SPECIAL TAXES**

Section 1. Minnesota Statutes 2012, section 287.20, is amended by adding a subdivision to read:

Subd. 11. **Partition.** "Partition" means the division by conveyance of real property that is held jointly or in common by two or more persons into individually owned interests. If one of the co-owners gives consideration for all or a part of the individually owned interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

Sec. 2. Minnesota Statutes 2012, section 289A.20, subdivision 4, is amended to read:

**Subd. 4. Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that:

(1) use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year; and

(2) ~~except as provided in paragraph (f), for a vendor having a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the commissioner monthly in the following manner:~~

(i) ~~On or before the 14th day of the month following the month in which the taxable event occurred, the vendor must remit to the commissioner 90 percent of the estimated liability for the month in which the taxable event occurred.~~

(ii) ~~On or before the 20th day of the month in which the taxable event occurs, the vendor must remit to the commissioner a prepayment for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month.~~

(iii) ~~On or before the 20th day of the month following the month in which the taxable event occurred, the vendor must pay any additional amount of tax not previously remitted under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than the vendor's liability for the month in which the taxable event occurred, the vendor may take a credit against the next month's liability in a manner prescribed by the commissioner.~~

(iv) ~~Once the vendor first pays under either item (i) or (ii), the vendor is required to continue to make payments in the same manner, as long as the vendor continues having a liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

(v) ~~Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required payment in the first month that the vendor is required to make a payment under either item (i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make subsequent monthly payments in the manner provided in item (ii).~~

(vi) ~~For vendors making an accelerated payment under item (ii), for the first month that the vendor is required to make the accelerated payment, on the 20th of that month, the vendor will pay 100 percent of the liability for the previous month and a prepayment for the first month equal to 67 percent of the liability for the previous month.~~

(b) ~~Notwithstanding paragraph (a), A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:~~

(1) Two business days before June 30 of the year, the vendor must remit 90 percent of the estimated June liability to the commissioner.

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

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in the subsequent calendar year on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a), clause (2), on returns due for periods beginning in the subsequent calendar year, except for 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

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

~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and paid with the chapter 297A taxes, then the payment of all the liabilities on the return must be accelerated as provided in this subdivision.~~

~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account established in section 16A.152, subdivision 1, and the budget reserve account established in section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required under paragraph (a), clause (2), must be suspended. The commissioner of management and budget shall notify the commissioner of revenue when the accounts have reached the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day of the month following the month in which the taxable event occurred. Payments of tax liabilities for taxable events occurring in June under paragraph (b) are not changed.~~

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

Sec. 3. Minnesota Statutes 2012, section 297A.665, is amended to read:

**297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

(1) all gross receipts are subject to the tax; and

(2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains ~~in good faith from the purchaser~~ a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, ~~from the purchaser taken in good faith which means that the exemption certificate claims an exemption that (A) was statutorily available on the date of the transaction, (B) could be applicable to the item for which the exemption is claimed, and (C) is reasonable for the purchaser's type of business~~; or

- (ii) proves by other means that the transaction was not subject to tax.
- (c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:
- (1) fraudulently fails to collect the tax; or
  - (2) solicits purchasers to participate in the unlawful claim of an exemption.
- (d) Notwithstanding paragraph (b), relief from liability does not apply to a seller who has obtained information under paragraph (b), clause (2), if through the audit process the commissioner finds the following:
- (1) that at the time the information was provided the seller had knowledge or had reason to know that the information relating to the exemption was materially false; or
  - (2) that the seller knowingly participated in activity intended to purposefully evade the sales tax due on the transaction.
- ~~(e)~~ (e) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.
- ~~(f)~~ (f) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.
- ~~(g)~~ (g) If a seller claims that certain sales are exempt and does not provide the certificate, information, or proof required by paragraph (b), clause (2), within 120 days after the date of the commissioner's request for substantiation, then the exemptions claimed by the seller that required substantiation are disallowed.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 297F.01, subdivision 23, is amended to read:

**Subd. 23. Wholesale sales price.** "Wholesale sales price" means the price stated on the price list in effect at the time of sale for which a manufacturer or person sells a tobacco product to a distributor, exclusive of any discount, promotional offer, or other reduction. For purposes of this subdivision, "price list" means the manufacturer's price at which tobacco products are made available for sale to all distributors on an ongoing basis at which a distributor purchases a tobacco product. Wholesale sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price.

**EFFECTIVE DATE.** This section is effective for purchases made after December 31, 2013.

Sec. 5. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

**Subd. 2. Tax credit.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

- (1) the liability for tax; or
- (2) \$115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the ~~calendar fiscal~~ year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

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

Sec. 6. Minnesota Statutes 2012, section 297I.05, subdivision 7, is amended to read:

**Subd. 7. Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus lines brokers. The rate of tax is equal to three percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(b) A tax is imposed on ~~persons, firms, or corporations~~ a person, firm, corporation, or purchasing group as defined in section 60E.02, or any member of a purchasing group, that ~~procure~~ procures insurance directly from a nonadmitted insurer. The rate of tax is equal to two percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(c) No state other than the home state of an insured may require any premium tax payment for nonadmitted insurance. When Minnesota is the home state of the insured, as provided under section 297I.01, 100 percent of the gross premiums are taxable in Minnesota with no allocation of the tax to other states.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 7. Minnesota Statutes 2012, section 297I.05, subdivision 11, is amended to read:

**Subd. 11. Retaliatory provisions.** (a) If any other state or country imposes any taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this state and their agents doing business in another state or country that are in addition to or in excess of those imposed by the laws of this state upon foreign insurance companies and their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses, and fees are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state.

(b) If any conditions precedent to the right to do business in any other state or country are imposed by the laws of that state or country, beyond those imposed upon foreign companies by the laws of this state, the same conditions precedent are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in that state.

(c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or fees" means an amount of money that is deposited in the general revenue fund of the state or other similar fund in another state or country and is not dedicated to a special purpose or use or money deposited in the general revenue fund of the state or other similar fund in another state or country and appropriated to the commissioner of commerce or insurance for the operation of the Department of Commerce or other similar agency with jurisdiction over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

(1) special purpose obligations or assessments imposed in connection with particular kinds of insurance, including but not limited to assessments imposed in connection with residual market mechanisms; or

(2) assessments made by the insurance guaranty association, life and health guarantee association, or similar association.

(d) This subdivision applies to taxes imposed under subdivisions 1; 3; 4, 6, and; 12, paragraph (a), clauses (1) and (2); and 14.

(e) This subdivision does not apply to insurance companies organized or domiciled in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits, penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies domiciled in this state.

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

Sec. 8. Minnesota Statutes 2012, section 297I.05, subdivision 12, is amended to read:

Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

- (1) gross premiums less return premiums written for risks resident or located in Minnesota by a risk retention group;
- (2) gross premiums less return premiums received by an attorney in fact acting in accordance with chapter 71A;
- (3) gross premiums less return premiums received pursuant to assigned risk policies and contracts of coverage under chapter 79; and
- (4) the direct funded premium received by the reinsurance association under section 79.34 from self-insurers approved under section 176.181 and political subdivisions that self-insure; and
- ~~(5) gross premiums less return premiums paid to an insurer other than a licensed insurance company or a surplus lines broker for coverage of risks resident or located in Minnesota by a purchasing group or any members of the purchasing group to a broker or agent for the purchasing group.~~

(b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The rate of tax is equal to two percent of the total amount of claims paid during the fund year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(c) A tax is imposed on a joint self-insurance plan operating under chapter 62H. The rate of tax is equal to two percent of the total amount of claims paid during the fund's fiscal year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5, on the gross premiums less return premiums on all coverages received by an accountable provider network or agents of an accountable provider network in Minnesota, in cash or otherwise, during the year.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 9. Minnesota Statutes 2012, section 297I.30, subdivision 1, is amended to read:

Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to taxation under section 297I.05, subdivisions 1 to 5; 7, paragraph (b); 12, ~~paragraphs (a), clauses (1) to (4), (b), (c), and (d); and 14,~~ shall file an annual return for the preceding calendar year in the form prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 10. Minnesota Statutes 2012, section 297I.30, subdivision 2, is amended to read:

**Subd. 2. Surplus lines brokers and purchasing groups.** On or before February 15 and August 15 of each year, every surplus lines broker subject to taxation under section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a), clause (5),~~ shall file a return with the commissioner for the preceding six-month period ending December 31, or June 30, in the form prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 11. **REPEALER.**

Minnesota Statutes 2012, section 289A.60, subdivision 31, is repealed.

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

**ARTICLE 17**  
**DEPARTMENT OF REVENUE**  
**PROPERTY AND MINERALS PROVISIONS**

Section 1. Minnesota Statutes 2012, section 123A.455, subdivision 1, is amended to read:

**Subdivision 1. Definitions.** "Split residential property parcel" means a parcel of real estate that is located within the boundaries of more than one school district and that is classified as residential property under:

- (1) section 273.13, subdivision 22, paragraph (a) or (b);
- (2) section 273.13, subdivision 25, paragraph (b), clause (1); or
- (3) section 273.13, subdivision 25, paragraph (c), ~~clause (1)~~.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 2. Minnesota Statutes 2012, section 270.077, is amended to read:

**270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

All taxes levied under sections 270.071 to 270.079 must be collected by the commissioner and credited to the state airports fund created in section 360.017.

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

Sec. 3. Minnesota Statutes 2012, section 270.41, subdivision 5, is amended to read:

**Subd. 5. Prohibited activity.** A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for

the proper assessment of property for property tax purposes or performing duties enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

Sec. 4. Minnesota Statutes 2012, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late payment of tax or late filing of a return, or any part of an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

- (1) was reasonably relied on and was in response to a specific written request of the taxpayer; and
- (2) was not the result of failure by the taxpayer to provide adequate or accurate information.

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

Sec. 5. Minnesota Statutes 2012, section 272.01, subdivision 2, is amended to read:

Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to:

(1) property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 469, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;

(2) property of an airport owned by a city, town, county, or group thereof which is:

(i) leased to or used by any person or entity including a fixed base operator; and

(ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public;

the exception from taxation provided in this clause does not apply to:

(i) property located at an airport owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population according to the most recent federal census or such a city's airport authority; or

(ii) hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business;

(3) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport;

(4) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the Metropolitan Airports Commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes is not exempt;

(5) property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to section 97A.135; or

(6) property leased, loaned, or otherwise made available to a private individual, corporation, or association under section 272.68, subdivision 4.

(c) Taxes imposed by this subdivision are payable as in the case of personal property taxes and shall be assessed to the lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county, and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the federal government, the state or any of its political subdivisions that is leased by, loaned, or otherwise made available to a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

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

Sec. 6. Minnesota Statutes 2012, section 272.02, subdivision 97, is amended to read:

Subd. 97. **Property used in business of mining subject to net proceeds tax.** The following property used in the business of mining that is subject to the net proceeds tax under section 298.015 is exempt:

(1) deposits of ores, metals, and minerals and the lands in which they are contained;

(2) all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals, including lands occupied by or used in connection with the mining, quarrying, production, or ore refining facilities; and

(3) concentrate ~~or direct reduced ore.~~

This exemption applies for each year that a person subject to tax under section 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or minerals.

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

Sec. 7. Minnesota Statutes 2012, section 272.03, subdivision 9, is amended to read:

Subd. 9. **Person.** "Person" ~~includes~~ means an individual, association, estate, trust, partnership, firm, company, or corporation.

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

Sec. 8. Minnesota Statutes 2012, section 273.114, subdivision 6, is amended to read:

Subd. 6. **Additional taxes.** (a) When real property which is being, or has been valued and assessed under this section ~~is sold, transferred, or~~ no longer qualifies under subdivision 2, the portion ~~sold, transferred, or~~ no longer qualifying shall be subject to additional taxes in the amount equal to the difference between the taxes determined in accordance with subdivision 3 and the amount determined under subdivision 4, provided that the amount determined under subdivision 4 shall not be greater than it would have been had the actual bona fide sale price of the real property at an arm's-length transaction been used in lieu of the market value determined under subdivision 4. The additional taxes shall be extended against the property on the tax list for ~~taxes payable in~~ the current year, provided that no interest or penalties shall be levied on the additional taxes if timely paid and provided that the additional taxes shall only be levied with respect to the current year plus two prior years that the property has been valued and assessed under this section.

(b) In the case of a sale or transfer, the additional taxes under paragraph (a) shall not be extended against the property if the new owner submits a successful application under this section by the later of May 1 of the current year or 30 days after the sale or transfer.

(c) For the purposes of this section, the following events do not constitute a sale or transfer for property that qualified under subdivision 2 prior to the event:

(1) death of a property owner when the surviving owners retain ownership of the property;

(2) divorce of a married couple when one of the spouses retains ownership of the property;

(3) marriage of a single property owner when that owner retains ownership of the property in whole or in part;

(4) the organization or reorganization of a farm ownership entity that is not prohibited from owning agricultural land in this state under section 500.24, if all owners maintain the same beneficial interest both before and after the organization or reorganization; and

(5) transfer of the property to a trust or trustee, provided that the individual owners of the property are the grantors of the trust and they maintain the same beneficial interest both before and after placement of the property in trust.

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

Sec. 9. Minnesota Statutes 2012, section 273.13, subdivision 23, is amended to read:

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

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

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

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

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

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

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

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

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

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

(f) Real estate of Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres, which is in size and exclusively or intensively used in the preceding year for raising or cultivating agricultural products, shall be considered as agricultural land. To qualify under this paragraph, property that includes a residential structure must be used intensively for one of the following purposes: ; or

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

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

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

(iii) for livestock or poultry confinement, provided that land that is used only for pasturing and grazing does not qualify; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

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

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

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

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

- (ii) the land is part of the airport property; and
- (iii) the land is not used for commercial or residential purposes.

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

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 10. Minnesota Statutes 2012, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

## (b) Class 4b includes:

- (1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;
- (2) manufactured homes not classified under any other provision;
- (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and
- (4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

## (c) Class 4bb includes:

- ① nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and
- ② a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

## (d) Class 4c property includes:

- (1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of

assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same class rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has the same class rate as class 4d property if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 11. Minnesota Statutes 2012, section 273.19, subdivision 1, is amended to read:

Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or 4, tax-exempt property held under a lease for a term of at least one year, and not taxable under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be considered, for all purposes of taxation, as the property of the person holding it. In this subdivision, "tax-exempt property" means property owned by the United States, the state or any of its political subdivisions, a school, or any religious, scientific, or benevolent society or institution, incorporated or unincorporated, or any corporation whose property is not taxed in the same manner as other property. This subdivision does not apply to property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

Sec. 12. Minnesota Statutes 2012, section 273.372, subdivision 4, is amended to read:

Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under section 270.82 or 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner prior to bringing an action in court by submitting.

(b) Companies that must submit reports under section 270.82 must submit a written request with to the commissioner for a conference within ten days after the date of the commissioner's valuation certification or notice to the company, or by May June 15, whichever is earlier.

(c) Companies that submit reports under section 273.371 must submit a written request to the commissioner for a conference within ten days after the date of the commissioner's valuation certification or notice to the company, or by July 1, whichever is earlier.

(d) The commissioner shall conduct the conference upon the commissioner's entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the commissioner's valuation certification or notice to the company, or by the date specified by the commissioner in an extension. Within 60 days after the conference the commissioner shall make a final determination of the matter and shall notify the company promptly of the determination. The conference is not a contested case hearing.

(e) In addition to the opportunity for a conference under paragraph (a), the commissioner shall also provide the railroad and utility companies the opportunity to discuss any questions or concerns relating to the values established by the commissioner through certification or notice in a less formal manner. This does not change or modify the deadline for requesting a conference under paragraph (a), the deadline in section 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for appealing property taxes in court.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

Sec. 13. Minnesota Statutes 2012, section 273.39, is amended to read:

### **273.39 RURAL AREA.**

As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean any area of the state not included within the boundaries of any incorporated statutory city or home rule charter city, and such term shall be deemed to include both farm and nonfarm population thereof.

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

Sec. 14. Minnesota Statutes 2012, section 279.06, subdivision 1, is amended to read:

**Subdivision 1. List and notice.** Within five days after the filing of such list, the court administrator shall return a copy thereof to the county auditor, with a notice prepared and signed by the court administrator, and attached thereto, which may be substantially in the following form:

State of Minnesota )  
                       ) ss.  
County of ..... )

District Court  
..... Judicial District.

The state of Minnesota, to all persons, companies, or corporations who have or claim any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of land described in the list hereto attached:

The list of taxes and penalties on real property for the county of ..... remaining delinquent on the first Monday in January, ....., has been filed in the office of the court administrator of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said court administrator, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, ..... . The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is:

- (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;
  - (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a);
  - (c) seasonal residential recreational land as defined in section 273.13, subdivisions 22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of redemption is five years from the date of sale to the state of Minnesota;
  - (d) abandoned property and pursuant to section 281.173 a court order has been entered shortening the redemption period to five weeks; or
  - (e) vacant property as described under section 281.174, subdivision 2, and for which a court order is entered shortening the redemption period under section 281.174.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Inquiries as to the proceedings set forth above can be made to the county auditor of ..... county whose address is .....

(Signed).....,

Court Administrator of the District Court  
of the County of .....

(Here insert list.)

The notice must contain a narrative description of the various periods to redeem specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the commissioner of revenue under subdivision 2.

The list referred to in the notice shall be substantially in the following form:

List of real property for the county of ..... , on which taxes remain delinquent on the first Monday in January, .....

Town of (Fairfield),  
Township (40), Range (20),

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who Have Filed Their Addresses Pursuant to section 276.041

John Jones (825 Fremont Fairfield, MN 55000)

Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)

	Subdivision of Section	Section	Tax Parcel Number	Total Tax and Penalty \$ cts.
John Jones (825 Fremont Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.	21	33211	3.15

As to platted property, the form of heading shall conform to circumstances and be substantially in the following form:

City of (Smithtown)  
Brown's Addition, or Subdivision

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who Have Filed Their Addresses Pursuant to section 276.041

John Jones (825 Fremont Fairfield, MN 55000)

Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)

	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts.
John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	16	9	58244	3.15

The names, descriptions, and figures employed in parentheses in the above forms are merely for purposes of illustration.

The name of the town, township, range or city, and addition or subdivision, as the case may be, shall be repeated at the head of each column of the printed lists as brought forward from the preceding column.

Errors in the list shall not be deemed to be a material defect to affect the validity of the judgment and sale.

**EFFECTIVE DATE.** This section is effective for lists and notices required after December 31, 2013.

Sec. 15. Minnesota Statutes 2012, section 290B.04, subdivision 2, is amended to read:

**Subd. 2. Approval; recording.** The commissioner shall approve all initial applications that qualify under this chapter and shall notify qualifying homeowners on or before December 1. The commissioner may investigate the facts or require confirmation in regard to an application. The commissioner shall record or file a notice of qualification for deferral, including the names of the qualifying homeowners and a legal description of the property, in the office of the county recorder, or registrar of titles, whichever is applicable, in the county where the qualifying property is located. The notice must state that it serves as a notice of lien and that it includes deferrals under this section for future years. The commissioner shall prescribe the form of the notice. Execution of the notice by the original or facsimile signature of the commissioner or a delegate entitles them to be recorded, and no other attestation, certification, or acknowledgment is necessary. The homeowner shall pay the recording or filing fees for the notice, which, notwithstanding section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

**EFFECTIVE DATE.** This section is effective for notices that are both executed and recorded after June 30, 2013.

Sec. 16. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

**Subd. 3. Occupation tax; other ores.** Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. Hydrometallurgical processes are processes that extract the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and recover the ore, metal, or mineral. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

- (1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;
- (2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and
- (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

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

Sec. 17. Minnesota Statutes 2012, section 298.018, is amended to read:

**298.018 DISTRIBUTION OF PROCEEDS.**

Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~ mined or extracted within the taconite assistance area defined in section 273.1341, shall be allocated as follows:

- (1) five percent to the city or town within which the minerals or energy resources are mined or extracted;
- (2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282;
- (3) ten percent to the school district within which the minerals or energy resources are mined or extracted;
- (4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions;
- (5) 20 percent to the county within which the minerals or energy resources are mined or extracted;
- (6) 20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;
- (7) five percent to the Iron Range Resources and Rehabilitation Board for the purposes of section 298.22;
- (8) five percent to the Douglas J. Johnson economic protection trust fund; and
- (9) five percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~ mined or extracted outside of the taconite assistance area defined in section 273.1341, shall be deposited in the general fund.

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

Sec. 18. Minnesota Statutes 2012, section 373.01, subdivision 1, is amended to read:

Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic and corporate and may:

- (1) Sue and be sued.
- (2) Acquire and hold real and personal property for the use of the county, and lands sold for taxes as provided by law.

(3) Purchase and hold for the benefit of the county real estate sold by virtue of judicial proceedings, to which the county is a party.

(4) Sell, lease, and convey real or personal estate owned by the county, and give contracts or options to sell, lease, or convey it, and make orders respecting it as deemed conducive to the interests of the county's inhabitants.

(5) Make all contracts and do all other acts in relation to the property and concerns of the county necessary to the exercise of its corporate powers.

(b) No sale, lease, or conveyance of real estate owned by the county, except the lease of a residence acquired for the furtherance of an approved capital improvement project, nor any contract or option for it, shall be valid, without first advertising for bids or proposals in the official newspaper of the county for three consecutive weeks and once in a newspaper of general circulation in the area where the property is located. The notice shall state the time and place of considering the proposals, contain a legal description of any real estate, and a brief description of any personal property. Leases that do not exceed \$15,000 for any one year may be negotiated and are not subject to the competitive bid procedures of this section. All proposals estimated to exceed \$15,000 in any one year shall be considered at the time set for the bid opening, and the one most favorable to the county accepted, but the county board may, in the interest of the county, reject any or all proposals.

(c) Sales of personal property the value of which is estimated to be \$15,000 or more shall be made only after advertising for bids or proposals in the county's official newspaper, on the county's Web site, or in a recognized industry trade journal. At the same time it posts on its Web site or publishes in a trade journal, the county must publish in the official newspaper, either as part of the minutes of a regular meeting of the county board or in a separate notice, a summary of all requests for bids or proposals that the county advertises on its Web site or in a trade journal. After publication in the official newspaper, on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by the electronic selling process authorized in section 471.345, subdivision 17. Sales of personal property the value of which is estimated to be less than \$15,000 may be made either on competitive bids or in the open market, in the discretion of the county board. "Web site" means a specific, addressable location provided on a server connected to the Internet and hosting World Wide Web pages and other files that are generally accessible on the Internet all or most of a day.

(d) Notwithstanding anything to the contrary herein, the county may, when acquiring real property for county highway right-of-way, exchange parcels of real property of substantially similar or equal value without advertising for bids. The estimated values for these parcels shall be determined by the county assessor.

(e) Notwithstanding anything in this section to the contrary, the county may, when acquiring real property for purposes other than county highway right-of-way, exchange parcels of real property of substantially similar or equal value without advertising for bids. The estimated values for these parcels must be determined by the county assessor or a private appraisal performed by a licensed Minnesota real estate appraiser. For the purpose of determining for the county the estimated values of parcels proposed to be exchanged, the county assessor need not be licensed under chapter 82B. Before giving final approval to any exchange of land, the county board shall hold a public hearing on the exchange. At least two weeks before the hearing, the county auditor shall post a notice in the auditor's office and the official newspaper of the county of the hearing that contains a description of the lands affected.

(f) If real estate or personal property remains unsold after advertising for and consideration of bids or proposals the county may employ a broker to sell the property. The broker may sell the property for not less than 90 percent of its appraised market value as determined by the county. The broker's fee shall be set by agreement with the county but may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.

(g) A county or its agent may rent a county-owned residence acquired for the furtherance of an approved capital improvement project subject to the conditions set by the county board and not subject to the conditions for lease otherwise provided by paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

(h) In no case shall lands be disposed of without there being reserved to the county all iron ore and other valuable minerals in and upon the lands, with right to explore for, mine and remove the iron ore and other valuable minerals, nor shall the minerals and mineral rights be disposed of, either before or after disposition of the surface rights, otherwise than by mining lease, in similar general form to that provided by section 93.20 for mining leases affecting state lands. The lease shall be for a term not exceeding 50 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether mineral is removed or not. Prospecting options for mining leases may be granted for periods not exceeding one year. The options shall require, among other things, periodical showings to the county board of the results of exploration work done.

(i) Notwithstanding anything in this subdivision to the contrary, the county may, when selling real property owned in fee simple that cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage, or access, proceed to sell the nonconforming parcel without advertising for bid. At the county's discretion, the real property may be restricted to sale to adjoining landowners or may be sold to any other interested party. The property shall be sold to the highest bidder, but in no case shall the property be sold for less than 90 percent of its fair market value as determined by the county assessor. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days before the sale. This paragraph shall be liberally construed to encourage the sale of nonconforming real property and promote its return to the tax roles.

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

Sec. 19. **REPEALER.**

Minnesota Statutes 2012, sections 272.69; and 273.11, subdivisions 1a and 22, are repealed.

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

**ARTICLE 18**  
**DEPARTMENT OF REVENUE MISCELLANEOUS PROVISIONS**

Section 1. Minnesota Statutes 2012, section 16A.46, is amended to read:

**16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.**

Subdivision 1. **Duplicate warrant.** The commissioner may issue a duplicate of an unpaid warrant to an owner if the owner certifies that the original was lost or destroyed. The commissioner may require certification be documented by affidavit. The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith, the commissioner is not liable, whether the application is granted or denied.

Subd. 2. **Original warrant is void.** When the duplicate is issued, the original is void. The commissioner may require an indemnity bond from the applicant to the state for double the amount of the warrant for anyone damaged by the issuance of the duplicate. The commissioner ~~may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith the commissioner is not liable, whether the application is granted or denied is not liable to any holder who took the void original warrant for value, whether or not the commissioner required an indemnity bond from the applicant.~~

**Subd. 3. Unpaid refund or rebate.** For an unpaid refund or rebate issued under a tax law administered by the commissioner of revenue that has been lost or destroyed, an affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued to the same name and Social Security number as the original warrant and that information is verified on a tax return filed by the recipient.

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

Sec. 2. Minnesota Statutes 2012, section 270C.38, subdivision 1, is amended to read:

Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written determination or action of the commissioner is otherwise specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address, is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or, in the case of a corporation being notified that has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

(b) If a taxpayer or other person agrees to accept notification by electronic means, notice of a determination or action of the commissioner sent by electronic mail to the taxpayer's or person's last known electronic mailing address as provided for in section 325L.08 is sufficient.

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

Sec. 3. Minnesota Statutes 2012, section 270C.42, subdivision 2, is amended to read:

Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable penalties imposed by law, after notification from the commissioner to the taxpayer that payments for a tax payable to the commissioner are required to be made by electronic means, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty can be abated under the abatement procedures prescribed in section 270C.34 if the failure to remit the payment electronically is due to reasonable cause. The penalty bears interest at the rate specified in section 270C.40 from the ~~due date of the payment of the tax provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

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

Sec. 4. Minnesota Statutes 2012, section 287.385, subdivision 7, is amended to read:

Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest from the date ~~payment was required to be paid, including any extensions, provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

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

Sec. 5. Minnesota Statutes 2012, section 289A.55, subdivision 9, is amended to read:

Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60, subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within 60 days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 6. Minnesota Statutes 2012, section 289A.60, subdivision 4, is amended to read:

Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner of revenue shall impose a penalty for substantial understatement of any tax payable to the commissioner, except a tax imposed under chapter 297A.

(b) There must be added to the tax an amount equal to 20 percent of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax for the period if the amount of the understatement for the period exceeds the greater of:

(1) ten percent of the tax required to be shown on the return for the period; or

(2)(i) \$10,000 in the case of a mining company or a corporation, other than an S corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or section 298.01 or 298.015, or

(ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

(c) For a corporation, other than an S corporation, there is also a substantial understatement of tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of:

(1) ten percent of the tax required to be shown on the return for the taxable year (or, if greater, \$10,000); or

(2) \$10,000,000.

(d) The term "understatement" means the excess of the amount of the tax required to be shown on the return for the period, over the amount of the tax imposed that is shown on the return. The excess must be determined without regard to items to which subdivision 27 applies. The amount of the understatement shall be reduced by that part of the understatement that is attributable to the tax treatment of any item by the taxpayer if (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return and (ii) there is a reasonable basis for the tax treatment of the item. The exception for substantial authority under clause (1) does not apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment of an item attributable to a multiple-party financing transaction if the treatment does not clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B) of the Internal Revenue Code. The special rules in cases involving tax shelters provided in section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes.

(e) The commissioner may abate all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was reasonable cause for the understatement, or part of it, and that the taxpayer acted in good faith. The additional tax and penalty shall bear interest ~~at the rate as~~ specified in section 270C.40 ~~from the time the tax should have been paid~~ until paid.

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

Sec. 7. Minnesota Statutes 2012, section 296A.01, is amended by adding a subdivision to read:

Subd. 8b. **Biobutanol.** "Biobutanol" means isobutyl alcohol produced by fermenting agriculturally generated organic material that is to be blended with gasoline and meets either:

(1) the initial ASTM Standard Specification for Butanol for Blending with Gasoline for use as an Automotive Spark-Ignition Engine Fuel once it has been released by ASTM for general distribution; or

(2) in the absence of an ASTM Standard Specification, the following list of requirements:

(i) visually free of sediment and suspended matter;

(ii) clear and bright at the ambient temperature of 21 degrees Celsius or the ambient temperature whichever is higher;

(iii) free of any adulterant or contaminant that can render it unacceptable for its commonly used applications;

(iv) contains not less than 96 volume percent isobutyl alcohol;

(v) contains not more than 0.4 volume percent methanol;

(vi) contains not more than 1.0 volume percent water as determined by ASTM standard test method E203 or E1064;

(vii) acidity (as acetic acid) of not more than 0.007 mass percent as determined by ASTM standard test method D1613;

(viii) solvent washed gum content of not more than 5.0 milligrams per 100 milliliters as determined by ASTM standard test method D381;

(ix) sulfur content of not more than 30 parts per million as determined by ASTM standard test method D2622 or D5453; and

(x) contains not more than 4 parts per million total inorganic sulfate.

Sec. 8. Minnesota Statutes 2012, section 296A.01, subdivision 19, is amended to read:

Subd. 19. **E85.** "E85" means a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline that typically contains not more than 85 percent ethanol by volume, but at a minimum must contain 60 51 percent ethanol by volume. For the purposes of this chapter, the energy content of E85 will be considered to be 82,000 BTUs per gallon. E85 produced for use as a motor fuel in alternative fuel vehicles as defined in subdivision 5 must comply with ASTM specification D5798-07 D5798-11.

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

Sec. 9. Minnesota Statutes 2012, section 296A.22, subdivision 1, is amended to read:

Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of any person to pay any tax or fee when due, a penalty of one percent per day for the first ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear interest at the rate specified in section 270C.40 until paid.

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

Sec. 10. Minnesota Statutes 2012, section 296A.22, subdivision 3, is amended to read:

**Subd. 3. Operating without license.** If any person operates as a distributor, special fuel dealer, bulk purchaser, or motor carrier without first securing the license required under this chapter, any tax or fee imposed by this chapter shall become immediately due and payable. A penalty of 25 percent is imposed upon the tax and fee due. ~~The tax, and fees, and penalty shall bear interest at the rate specified in section 270C.40. The penalty imposed in this subdivision shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.~~

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

Sec. 11. Minnesota Statutes 2012, section 297B.11, is amended to read:

**297B.11 REGISTRAR AS AGENT OF COMMISSIONER OF REVENUE; POWERS.**

The state commissioner of revenue is charged with the administration of the sales tax on motor vehicles. The commissioner may prescribe all rules not inconsistent with the provisions of this chapter, necessary and advisable for the proper and efficient administration of the law. The collection of this sales tax on motor vehicles shall be carried out by the motor vehicle registrar who shall act as the agent of the commissioner and who shall be subject to all rules not inconsistent with the provisions of this chapter, that may be prescribed by the commissioner.

The provisions of chapters 270C, 289A, and 297A relating to the commissioner's authority to audit, assess, and collect the tax, and to issue refunds and to hear appeals, are applicable to the sales tax on motor vehicles. The commissioner may impose civil penalties as provided in chapters 289A and 297A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40 ~~from the date provided in section 270C.40, subdivision 3, until paid.~~

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

Sec. 12. Minnesota Statutes 2012, section 297E.14, subdivision 7, is amended to read:

**Subd. 7. Interest on penalties.** (a) A penalty imposed under section 297E.12, subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 13. Minnesota Statutes 2012, section 297F.09, subdivision 9, is amended to read:

**Subd. 9. Interest.** The amount of tax not timely paid, ~~together with any penalty imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the time such tax should have been paid until paid. ~~The penalty imposed in this section bears interest at the rate specified in section 270C.40 from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.~~ Any interest and penalty is added to the tax and collected as a part of it.

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

Sec. 14. Minnesota Statutes 2012, section 297F.18, subdivision 7, is amended to read:

**Subd. 7. Interest on penalties.** (a) A penalty imposed under section 297F.19, subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of the notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 15. Minnesota Statutes 2012, section 297G.09, subdivision 8, is amended to read:

**Subd. 8. Interest.** The amount of tax not timely paid, ~~together with any penalty imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the time the tax should have been paid until paid. Any penalty imposed by this chapter bears interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

Sec. 16. Minnesota Statutes 2012, section 297G.17, subdivision 7, is amended to read:

**Subd. 7. Interest on penalties.** (a) A penalty imposed under section 297G.18, subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of the notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 17. Minnesota Statutes 2012, section 297I.80, subdivision 1, is amended to read:

**Subdivision 1. Payable to commissioner.** (a) When interest is required under this section, interest is computed at the rate specified in section 270C.40.

(b) If a tax or surcharge is not paid within the time named by law for payment, the unpaid tax or surcharge bears interest from the date the tax or surcharge should have been paid until the date the tax or surcharge is paid.

(c) Whenever a taxpayer is liable for additional tax or surcharge because of a redetermination by the commissioner or other reason, the additional tax or surcharge bears interest from the time the tax or surcharge should have been paid until the date the tax or surcharge is paid.

(d) A penalty bears interest from the date ~~the return or payment was required to be filed or paid provided in section 270C.40, subdivision 3,~~ to the date of payment of the penalty.

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

Sec. 18. Minnesota Statutes 2012, section 469.319, subdivision 4, is amended to read:

**Subd. 4. Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after becoming subject to repayment under this section until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a reduction of a state or local sales or use tax is deemed to have been received on the date that the good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

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

Sec. 19. Minnesota Statutes 2012, section 469.340, subdivision 4, is amended to read:

**Subd. 4. Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to do business in the zone. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.336.

(b) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(c) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraph (a). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after ceasing to do business in the biotechnology and health sciences industry zone until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(d) If a property tax is not repaid under paragraph (b), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the treasurer discovers that the business ceased to operate in the biotechnology and health sciences industry zone.

(e) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the taxpayer had not been entitled to the exemption, or on the date a refund was issued for a refundable credit.

(f) The commissioner may assess the repayment of taxes under paragraph (c) any time within two years after the business ceases to operate in the biotechnology and health sciences industry zone, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later.

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

Delete the title and insert:

"A bill for an act relating to financing of state and local government; making changes to individual income, corporate franchise, property, sales and use, estate, mineral, liquor, tobacco, aggregate materials, local, and other taxes and tax-related provisions; restoring the school district current year aid payment shift percentage to 90; conforming to federal section 179 expensing allowances; imposing an income surcharge; allowing an up-front exemption for capital equipment; modifying the definition of income for the property tax refund; decreasing the threshold percentage for the homestead credit refund for homeowners and the property tax refund for renters; increasing the maximum refunds for renters; changing property tax aids and credits; imposing an insurance surcharge; modifying pension aids; providing pension funding; changing provisions of the Sustainable Forest Incentive Act; modifying definitions for property taxes; providing exemptions; creating joint entertainment facilities coordination; imposing a sports memorabilia gross receipts tax; changing tax rates on tobacco and liquor; providing reimbursement for certain property tax abatement; modifying the small business investment tax credit; expanding the definition of domestic corporation to include foreign corporations incorporated in or doing business in tax havens; making changes to additions and subtractions from federal taxable income; changing rates for individuals, estates, and trusts; providing for charitable contributions and veterans jobs tax credits; modifying estate tax

exclusions for qualifying small business and farm property; imposing a gift tax; expanding the sales tax to include suite and box seat rentals; modifying the definition of sales and purchase; changing the tax rate and modifying provisions for the rental motor vehicle tax; modifying nexus provisions; providing for multiple points of use certificates; modifying exemptions; authorizing local sales taxes; authorizing economic development powers; providing authority, organization, powers, and duties for development of a Destination Medical Center; authorizing state infrastructure aid; imposing a tax on extraction and processing of fracturing sand; providing a taconite production tax grant for water supply improvements; authorizing taconite production tax bonds for grants to school districts; modifying and providing provisions for public finance; modifying the definition of market value for tax, debt, and other purposes; making conforming, policy, and technical changes to tax provisions; requiring studies and reports; appropriating money; amending Minnesota Statutes 2012, sections 16A.152, subdivision 2; 16A.46; 38.18; 40A.15, subdivision 2; 69.011, subdivision 1; 69.021, subdivisions 7, 8, by adding a subdivision; 88.51, subdivision 3; 103B.102, subdivision 3; 103B.245, subdivision 3; 103B.251, subdivision 8; 103B.335; 103B.3369, subdivision 5; 103B.635, subdivision 2; 103B.691, subdivision 2; 103C.501, subdivision 4; 103D.905, subdivisions 2, 3, 8; 103F.405, subdivision 1; 116J.8737, subdivisions 1, 2, 8; 117.025, subdivision 7; 118A.04, subdivision 3; 118A.05, subdivision 5; 123A.455, subdivision 1; 123B.75, subdivision 5; 126C.48, subdivision 8; 127A.45, subdivision 2; 127A.48, subdivision 1; 138.053; 144F.01, subdivision 4; 162.07, subdivisions 3, 4; 163.04, subdivision 3; 163.051; 163.06, subdivision 6; 165.10, subdivision 1; 168.012, subdivision 9, by adding a subdivision; 216C.436, subdivision 7; 237.52, subdivision 3, by adding a subdivision; 270.077; 270.41, subdivision 5; 270B.01, subdivision 8; 270B.12, subdivision 4; 270C.34, subdivision 1; 270C.38, subdivision 1; 270C.42, subdivision 2; 270C.56, subdivision 1; 271.06, by adding a subdivision; 272.01, subdivision 2; 272.02, subdivisions 39, 97, by adding subdivisions; 272.03, subdivision 9, by adding subdivisions; 273.032; 273.11, subdivision 1, by adding a subdivision; 273.114, subdivision 6; 273.124, subdivisions 3a, 13; 273.13, subdivisions 21b, 23, 25; 273.1398, subdivisions 3, 4; 273.19, subdivision 1; 273.372, subdivision 4; 273.39; 275.011, subdivision 1; 275.077, subdivision 2; 275.71, subdivision 4; 276.04, subdivision 2; 276A.01, subdivisions 10, 12, 13, 15; 276A.06, subdivision 10; 279.01, subdivision 1, by adding a subdivision; 279.02; 279.06, subdivision 1; 287.05, by adding a subdivision; 287.08; 287.20, by adding a subdivision; 287.23, subdivision 1; 287.385, subdivision 7; 289A.02, subdivision 7; 289A.08, subdivisions 1, 3, 7; 289A.10, subdivision 1, by adding a subdivision; 289A.12, subdivision 14, by adding a subdivision; 289A.18, by adding a subdivision; 289A.20, subdivisions 3, 4, by adding a subdivision; 289A.26, subdivisions 3, 4, 7, 9; 289A.55, subdivision 9; 289A.60, subdivision 4; 290.01, subdivisions 5, 19, as amended, 19a, 19b, 19c, 19d, 31, as amended, by adding subdivisions; 290.06, subdivisions 2c, 2d, by adding subdivisions; 290.067, subdivisions 1, 2a; 290.0671, subdivision 1; 290.0675, subdivision 1; 290.0677, subdivision 2; 290.068, subdivisions 3, 6a; 290.0681, subdivisions 1, 3, 4, 5; 290.091, subdivision 2; 290.0921, subdivision 3; 290.0922, subdivision 1; 290.17, subdivision 4; 290.21, subdivision 4; 290.9705, subdivision 1; 290A.03, subdivisions 3, 15, as amended; 290A.04, subdivisions 2, 2a, 4; 290B.04, subdivision 2; 290C.02, subdivision 6; 290C.05; 290C.07; 291.005, subdivision 1; 291.03, subdivisions 1, 8, 9, 10, 11, by adding a subdivision; 296A.01, subdivision 19, by adding a subdivision; 296A.22, subdivisions 1, 3; 297A.61, subdivisions 3, 4, by adding a subdivision; 297A.64, subdivisions 1, 2; 297A.66, by adding a subdivision; 297A.65; 297A.668, by adding a subdivision; 297A.67, subdivision 7; 297A.68, subdivision 5; 297A.70, subdivisions 4, 8, by adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297A.993, subdivisions 1, 2; 297B.11; 297E.021, subdivision 2; 297E.14, subdivision 7; 297F.01, subdivisions 3, 19, 23, by adding a subdivision; 297F.05, subdivisions 1, 3, 4, by adding a subdivision; 297F.09, subdivision 9; 297F.18, subdivision 7; 297F.24, subdivision 1; 297F.25, subdivision 1; 297G.03, subdivision 1, by adding a subdivision; 297G.04; 297G.09, subdivision 8; 297G.17, subdivision 7; 297I.05, subdivisions 7, 11, 12; 297I.30, subdivisions 1, 2; 297I.80, subdivision 1; 298.01, subdivisions 3, 3b, 4; 298.018; 298.227, as amended; 298.24, subdivision 1; 298.28, subdivisions 4, 6, 10; 298.75, subdivision 2; 325D.32, subdivision 2; 353G.08, subdivision 2; 365.025, subdivision 4; 366.095, subdivision 1; 366.27; 368.01, subdivision 23; 368.47; 370.01; 373.01, subdivisions 1, 3; 373.40, subdivisions 1, 2, 4; 375.167, subdivision 1; 375.18, subdivision 3; 375.555; 383B.152; 383B.245; 383B.73, subdivision 1; 383D.41, by adding a subdivision; 383E.20; 383E.23; 385.31; 394.36, subdivision 1; 398A.04, subdivision 8; 401.05, subdivision 3; 403.02, subdivision 21, by adding subdivisions; 403.06, subdivision 1a; 403.11, subdivision 1, by adding a subdivision; 410.32; 412.221, subdivision 2; 412.301; 428A.02, subdivision 1; 430.102, subdivision 2; 447.10; 450.19; 450.25; 458A.10; 458A.31, subdivision 1; 465.04; 469.033, subdivision 6;

469.034, subdivision 2; 469.053, subdivisions 4, 4a, 6; 469.071, subdivision 5; 469.107, subdivision 1; 469.169, by adding a subdivision; 469.176, subdivisions 4c, 4g, 6; 469.177, by adding a subdivision; 469.180, subdivision 2; 469.187; 469.190, subdivision 7, by adding a subdivision; 469.206; 469.319, subdivision 4; 469.340, subdivision 4; 471.24; 471.571, subdivisions 1, 2; 471.73; 473.325, subdivision 2; 473.39, by adding a subdivision; 473.629; 473.661, subdivision 3; 473.667, subdivision 9; 473.671; 473.711, subdivision 2a; 473F.02, subdivisions 12, 14, 15, 23; 473F.08, subdivision 10, by adding a subdivision; 474A.04, subdivision 1a; 474A.062; 474A.091, subdivision 3a; 475.521, subdivisions 1, 2, 4; 475.53, subdivisions 1, 3, 4; 475.58, subdivisions 2, 3b; 475.73, subdivision 1; 477A.011, subdivisions 20, 30, 32, 34, 42, by adding subdivisions; 477A.0124, subdivision 2; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03, subdivisions 2a, 2b, by adding a subdivision; 641.23; 641.24; 645.44, by adding a subdivision; Laws 1971, chapter 773, section 1, subdivision 2, as amended; Laws 1988, chapter 645, section 3, as amended; Laws 1993, chapter 375, article 9, section 46, subdivisions 2, as amended, 5, as amended; Laws 1998, chapter 389, article 8, section 43, subdivisions 1, 3, as amended, 5, as amended; Laws 1999, chapter 243, article 6, section 11; Laws 2002, chapter 377, article 3, section 25, as amended; Laws 2005, First Special Session chapter 3, article 5, section 37, subdivisions 2, 4; Laws 2008, chapter 366, article 5, sections 26; 33; 34, as amended; article 7, section 19, subdivision 3, as amended; Laws 2010, chapter 216, section 55; Laws 2010, chapter 389, article 1, section 12; article 5, section 6, subdivisions 4, 6; Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision 1, as amended; proposing coding for new law in Minnesota Statutes, chapters 116C; 287; 290; 290A; 292; 295; 297I; 403; 435; 469; proposing coding for new law as Minnesota Statutes, chapter 297J; repealing Minnesota Statutes 2012, sections 16A.725; 256.9658; 272.69; 273.11, subdivisions 1a, 22; 276A.01, subdivision 11; 289A.60, subdivision 31; 290.01, subdivision 6b; 290.06, subdivision 22a; 290.0672; 290.0921, subdivision 7; 383A.80, subdivision 4; 383B.80, subdivision 4; 428A.101; 428A.21; 473F.02, subdivision 13; 477A.011, subdivisions 2a, 19, 21, 29, 31, 32, 33, 36, 39, 40, 41, 42; 477A.013, subdivisions 11, 12; 477A.0133; 477A.0134; Laws 2006, chapter 259, article 11, section 3, as amended; Laws 2009, chapter 88, article 4, section 23, as amended."

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.

Murphy, E., from the Committee on Rules and Legislative Administration to which was referred:

H. F. No. 1183, A bill for an act relating to state government; appropriating money from constitutionally dedicated legacy funds; modifying provisions of Lessard-Sams Outdoor Heritage Council; establishing certain land acquisition requirements; providing for agricultural water quality certification; modifying provisions for restoration evaluations; requiring use of certain standards for public water access sites; establishing Greater Minnesota Regional Parks and Trails Commission; modifying certain metropolitan area regional park provisions; extending previous appropriation; modifying Clean Water Legacy Act; modifying certain grant eligibility; requiring issuance of city license; authorizing certain expenditures; requiring recapture of certain funds previously appropriated; providing for reimbursement of certain costs; requiring reports; amending Minnesota Statutes 2012, sections 3.9741, subdivision 3; 10A.01, subdivision 35; 85.53, subdivision 2; 97A.056, subdivisions 3, 10, 11, by adding subdivisions; 114D.15, by adding a subdivision; 114D.50, subdivisions 4, 6, by adding subdivisions; 116G.15, subdivision 7; 129D.17, subdivision 2; 129D.19, subdivisions 1, 2; Laws 2001, chapter 193, section 10; Laws 2010, chapter 361, article 3, section 7; proposing coding for new law in Minnesota Statutes, chapters 17; 85; 114D.

Reported the same back with the following amendments:

Page 61, after line 29, insert:

"Sec. 30. Minnesota Statutes 2012, section 116G.15, subdivision 2, is amended to read:

**Subd. 2. Administration; duties.** (a) The commissioner of natural resources may adopt rules under chapter 14 as are necessary for the administration of the Mississippi River corridor critical area program. Duties of the Environmental Quality Council or the Environmental Quality Board referenced in this chapter, related rules, and the

governor's Executive Order No. 79-19, published in the State Register on March 12, 1979, that are related to the Mississippi River corridor critical area shall be the duties of the commissioner. All rules adopted by the board pursuant to these duties remain in effect and shall be enforced until amended or repealed by the commissioner in accordance with law. The commissioner shall work in consultation with the United States Army Corps of Engineers, the National Park Service, the Metropolitan Council, other agencies, and local units of government to ensure that the Mississippi River corridor critical area is managed as a multipurpose resource in a way that:

- (1) conserves the scenic, environmental, recreational, mineral, economic, cultural, and historic resources and functions of the river corridor;
- (2) maintains the river channel for transportation by providing and maintaining barging and fleeting areas in appropriate locations consistent with the character of the Mississippi River and riverfront;
- (3) provides for the continuation and, development, and redevelopment of a variety of urban uses, including industrial and commercial uses, and recreational and residential uses, where appropriate, within the Mississippi River corridor;
- (4) utilizes certain reaches of the river as a source of water supply and as a receiving water for properly treated sewage, storm water, and industrial waste effluents; and
- (5) protects and preserves the biological and ecological functions of the corridor.

(b) The Metropolitan Council shall incorporate the standards developed under this section into its planning and shall work with local units of government and the commissioner to ensure the standards are being adopted and implemented appropriately.

(c) The rules must be consistent with residential nonconformity provisions under sections 394.36 and 462.357.

Sec. 31. Minnesota Statutes 2012, section 116G.15, subdivision 3, is amended to read:

Subd. 3. **Districts.** The commissioner shall establish, by rule, districts within the Mississippi River corridor critical area. The commissioner must seek to determine an appropriate number of districts within any one municipality and take into account municipal plans and policies, and existing ordinances and conditions. The commissioner shall consider the following when establishing the districts:

- (1) ~~the protection of the major features of the river in existence as of March 12, 1979;~~
- (2) ~~(1)~~ the protection of improvements such as parks, trails, natural areas, recreational areas, and interpretive centers;
- (3) ~~(2)~~ the use of the Mississippi River as a source of drinking water;
- (4) ~~(3)~~ the protection of resources identified in the Mississippi National River and Recreation Area Comprehensive Management Plan;
- (5) ~~(4)~~ the protection of resources identified in comprehensive plans developed by counties, cities, and towns within the Mississippi River corridor critical area;
- (6) ~~the intent of the Mississippi River corridor critical area land use districts from the governor's Executive Order No. 79-19, published in the State Register on March 12, 1979; and~~
- (5) management of the river corridor consistent with its natural characteristics and its existing development, and in consideration of potential new commercial, industrial, and residential development; and
- (7) ~~(6)~~ identified scenic, geologic, and ecological resources.

Sec. 32. Minnesota Statutes 2012, section 116G.15, subdivision 4, is amended to read:

**Subd. 4. Standards.** (a) The commissioner shall establish, by rule, minimum guidelines and standards for the districts established in subdivision 3. The guidelines and standards for each district shall include the intent of each district and key resources and features to be protected or enhanced based upon paragraph (b). The commissioner must take into account municipal plans and policies, and existing ordinances and conditions when developing the guidelines in this section. The commissioner may provide certain exceptions and criteria for standards, including, but not limited to, exceptions for river access facilities, water supply facilities, storm water facilities, and wastewater treatment facilities, and hydropower facilities.

(b) The guidelines and standards must protect or enhance the following key resources and features:

- (1) floodplains;
- (2) wetlands;
- (3) gorges;
- (4) areas of confluence with key tributaries;
- (5) natural drainage routes;
- (6) shorelines and riverbanks;
- (7) bluffs;
- (8) steep slopes and very steep slopes;
- (9) unstable soils and bedrock;
- (10) significant existing vegetative stands, tree canopies, and native plant communities;
- (11) scenic views and vistas;
- (12) publicly owned parks, trails, and open spaces;
- (13) cultural and historic sites and structures; and
- (14) water quality; and
- (15) commercial, industrial, and residential resources.

~~(e) The commissioner shall establish a map to define bluffs and bluff related features within the Mississippi River corridor critical area. At the outset of the rulemaking process, the commissioner shall create a preliminary map of all the bluffs and bluff lines within the Mississippi River corridor critical area, based on the guidelines in paragraph (d). The rulemaking process shall provide an opportunity to refine the preliminary bluff map. The commissioner may add to or remove areas of demonstrably unique or atypical conditions that warrant special protection or exemption. At the end of the rulemaking process, the commissioner shall adopt a final bluff map that contains associated features, including bluff lines, bases of bluffs, steep slopes, and very steep slopes.~~

~~(d) The following guidelines shall be used by the commissioner to create a preliminary bluff map as part of the rulemaking process:~~

~~(1) "bluff face" or "bluff" means the area between the bluff line and the bluff base. A high, steep, natural topographic feature such as a broad hill, cliff, or embankment with a slope of 18 percent or greater and a vertical rise of at least ten feet between the bluff base and the bluff line;~~

~~(2) "bluff line" means a line delineating the top of a slope connecting the points at which the slope becomes less than 18 percent. More than one bluff line may be encountered proceeding upslope from the river valley;~~

~~(3) "base of the bluff" means a line delineating the bottom of a slope connecting the points at which the slope becomes 18 percent or greater. More than one bluff base may be encountered proceeding landward from the water;~~

~~(4) "steep slopes" means 12 percent to 18 percent slopes. Steep slopes are natural topographic features with an average slope of 12 to 18 percent measured over a horizontal distance of 50 feet or more; and~~

~~(5) "very steep slopes" means slopes 18 percent or greater. Very steep slopes are natural topographic features with an average slope of 18 percent or greater, measured over a horizontal distance of 50 feet or more."~~

Page 80, line 27, delete "57,365,000" and insert "57,338,333"

Page 86, line 28, delete "9,680,000" and insert "9,653,333"

Page 88, delete line 34

Page 89, delete lines 1 to 2

Page 89, line 27, delete "\$80,000" and insert "\$53,333"

Page 89, delete line 29

Page 89, line 30, delete everything before "and" and delete "(3)" and insert "(2)"

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 9, after the second semicolon, insert "modifying Mississippi River corridor critical area program;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

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

H. F. No. 1233, A bill for an act relating to state government; establishing the health and human services budget; modifying provisions related to health care, continuing care, human services licensing, chemical and mental health, managed care organizations, waiver provider standards, home care, and the Department of Health; redesigning home and community-based services; establishing payment methodologies for home and community-based services;

adjusting nursing and ICF/DD facility rates; setting and modifying fees; modifying autism coverage; making technical changes; requiring studies; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 16A.152, subdivision 2; 16A.724, subdivisions 2, 3; 16C.10, subdivision 5; 16C.155, subdivision 1; 62J.692, subdivision 4; 62Q.19, subdivision 1; 103I.005, by adding a subdivision; 103I.521; 119B.13, subdivision 7; 144.051, by adding subdivisions; 144.0724, subdivision 4; 144.123, subdivision 1; 144.125, subdivision 1; 144.966, subdivisions 2, 3a; 144.98, subdivisions 3, 5, by adding subdivisions; 144.99, subdivision 4; 144A.351; 144A.43; 144A.44; 144A.45; 144D.01, subdivision 4; 145.986; 145C.01, subdivision 7; 148E.065, subdivision 4a; 149A.02, subdivisions 1a, 2, 3, 4, 5, 16, 23, 27, 34, 35, 37, by adding subdivisions; 149A.03; 149A.65, by adding subdivisions; 149A.70, subdivisions 1, 2, 3, 5; 149A.71, subdivisions 2, 4; 149A.72, subdivisions 3, 9, by adding a subdivision; 149A.73, subdivisions 1, 2, 4; 149A.74; 149A.91, subdivision 9; 149A.93, subdivisions 3, 6; 149A.94; 149A.96, subdivision 9; 174.30, subdivision 1; 214.40, subdivision 1; 243.166, subdivisions 4b, 7; 245.4661, subdivisions 5, 6; 245.4682, subdivision 2; 245A.02, subdivisions 1, 9, 10, 14; 245A.03, subdivisions 7, 8, 9; 245A.04, subdivision 13; 245A.042, subdivision 3; 245A.07, subdivision 3; 245A.08, subdivision 2a; 245A.10; 245A.11, subdivisions 2a, 7, 7a, 8; 245A.1435; 245A.16, subdivision 1; 245C.04, by adding a subdivision; 245C.08, subdivision 1; 245D.02; 245D.03; 245D.04; 245D.05; 245D.06; 245D.07; 245D.09; 245D.10; 246.18, subdivision 8, by adding a subdivision; 246.54; 254B.04, subdivision 1; 254B.13; 256.01, subdivisions 2, 24, 34, by adding subdivisions; 256.9657, subdivisions 2, 3a; 256.9685, subdivision 2; 256.969, subdivisions 3a, 29; 256.975, subdivision 7, by adding subdivisions; 256.9754, subdivision 5, by adding subdivisions; 256B.02, by adding subdivisions; 256B.021, by adding subdivisions; 256B.04, subdivisions 18, 21, by adding a subdivision; 256B.055, subdivisions 3a, 6, 10, 14, 15, by adding a subdivision; 256B.056, subdivisions 1, 1c, 3, 4, as amended, 5c, 10, by adding a subdivision; 256B.057, subdivisions 1, 8, 10, by adding a subdivision; 256B.06, subdivision 4; 256B.0623, subdivision 2; 256B.0625, subdivisions 9, 13e, 19c, 31, 39, 48, 58, by adding subdivisions; 256B.0631, subdivision 1; 256B.064, subdivisions 1a, 1b, 2; 256B.0659, subdivision 21; 256B.0755, subdivision 3; 256B.0756; 256B.0911, subdivisions 1, 1a, 3a, 4d, 6, 7, by adding a subdivision; 256B.0913, subdivision 4, by adding a subdivision; 256B.0915, subdivisions 3a, 5, by adding a subdivision; 256B.0916, by adding a subdivision; 256B.0917, subdivisions 6, 13, by adding subdivisions; 256B.092, subdivisions 11, 12, by adding subdivisions; 256B.0946; 256B.095; 256B.0951, subdivisions 1, 4; 256B.0952, subdivisions 1, 5; 256B.097, subdivisions 1, 3; 256B.431, subdivision 44; 256B.434, subdivision 4, by adding a subdivision; 256B.437, subdivision 6; 256B.439, subdivisions 1, 2, 3, 4, by adding a subdivision; 256B.441, subdivisions 13, 53; 256B.49, subdivisions 11a, 12, 14, 15, by adding subdivisions; 256B.4912, subdivisions 1, 2, 3, 7, by adding subdivisions; 256B.4913, subdivisions 5, 6, by adding a subdivision; 256B.492; 256B.493, subdivision 2; 256B.5011, subdivision 2; 256B.5012, by adding subdivisions; 256B.69, subdivisions 5c, 31, by adding a subdivision; 256B.694; 256B.76, subdivisions 2, 4, by adding a subdivision; 256B.761; 256B.764; 256B.766; 256I.04, subdivision 3; 256I.05, subdivision 1e, by adding a subdivision; 256J.35; 256K.45; 256L.01, subdivisions 3a, 5, by adding subdivisions; 256L.02, subdivision 2, by adding subdivisions; 256L.03, subdivisions 1, 1a, 3, 5, 6, by adding a subdivision; 256L.04, subdivisions 1, 7, 8, 10, by adding subdivisions; 256L.05, subdivisions 1, 2, 3; 256L.06, subdivision 3; 256L.07, subdivisions 1, 2, 3; 256L.09, subdivision 2; 256L.11, subdivision 6; 256L.15, subdivisions 1, 2; 257.0755, subdivision 1; 260B.007, subdivisions 6, 16; 260C.007, subdivisions 6, 31; 471.59, subdivision 1; 626.556, subdivisions 2, 3, 10d; 626.557, subdivisions 4, 9, 9a, 9e; 626.5572, subdivision 13; Laws 1998, chapter 407, article 6, section 116; Laws 2011, First Special Session chapter 9, article 2, section 27; article 10, section 3, subdivision 3, as amended; proposing coding for new law in Minnesota Statutes, chapters 62A; 62D; 144; 144A; 145; 149A; 214; 245; 245D; 254B; 256; 256B; 256L; repealing Minnesota Statutes 2012, sections 103I.005, subdivision 20; 144.123, subdivision 2; 144A.46; 144A.461; 149A.025; 149A.20, subdivision 8; 149A.30, subdivision 2; 149A.40, subdivision 8; 149A.45, subdivision 6; 149A.50, subdivision 6; 149A.51, subdivision 7; 149A.52, subdivision 5a; 149A.53, subdivision 9; 245A.655; 245B.01; 245B.02; 245B.03; 245B.031; 245B.04; 245B.05, subdivisions 1, 2, 3, 5, 6, 7; 245B.055; 245B.06; 245B.07; 245B.08; 245D.08; 256B.055, subdivisions 3, 5, 10b; 256B.056, subdivision 5b; 256B.057, subdivisions 1c, 2; 256B.0911, subdivisions 4a, 4b, 4c; 256B.0917, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 14; 256B.096, subdivisions 1, 2, 3, 4; 256B.14, subdivision 3a; 256B.49, subdivision 16a; 256B.4913, subdivisions 1, 2, 3, 4; 256B.5012, subdivision 13; 256J.24, subdivision 6; 256K.45, subdivision 2; 256L.01, subdivision 4a; 256L.031; 256L.04, subdivisions 1b, 9, 10a; 256L.05, subdivision 3b; 256L.07, subdivisions 5, 8, 9; 256L.11, subdivision 5; 256L.12; 256L.17, subdivisions 1, 2, 3, 4, 5; 485.14; 609.093; Laws 2011, First Special Session chapter 9, article 7, section 54, as amended; Minnesota Rules, parts 4668.0002; 4668.0003; 4668.0005; 4668.0008; 4668.0012; 4668.0016; 4668.0017; 4668.0019; 4668.0030; 4668.0035; 4668.0040; 4668.0050; 4668.0060;

4668.0065; 4668.0070; 4668.0075; 4668.0080; 4668.0100; 4668.0110; 4668.0120; 4668.0130; 4668.0140; 4668.0150; 4668.0160; 4668.0170; 4668.0180; 4668.0190; 4668.0200; 4668.0218; 4668.0220; 4668.0230; 4668.0240; 4668.0800; 4668.0805; 4668.0810; 4668.0815; 4668.0820; 4668.0825; 4668.0830; 4668.0835; 4668.0840; 4668.0845; 4668.0855; 4668.0860; 4668.0865; 4668.0870; 4669.0001; 4669.0010; 4669.0020; 4669.0030; 4669.0040; 4669.0050.

Reported the same back with the following amendments:

Page 19, delete section 26 and insert:

"Sec. 26. Minnesota Statutes 2012, section 256L.01, is amended by adding a subdivision to read:

**Subd. 1b. Affordable Care Act.** "Affordable Care Act" means the federal Patient Protection and Affordable Care Act, Public Law 111-148, as amended, including the federal Health Care and Education Reconciliation Act of 2010, Public Law 111-152, and any amendments to, and any federal guidance or regulations issued under, these acts."

Page 54, line 13, after "aging" insert "counties, and other entities that serve aging and disabled populations of all ages,"

Page 54, line 21, after "develop" insert "and provide for regular updating of"

Page 54, line 22, before the semicolon, insert "that can provide search results down to the neighborhood level"

Page 55, after line 3, insert:

"(9) develop an outreach plan to seniors and their caregivers with a particular focus on establishing a clear presence in places that seniors recognize and:

(i) place a significant emphasis on improved outreach and service to seniors and their caregivers by establishing annual plans by neighborhood, city, and county, as necessary, to address the unique needs of geographic areas in the state where there are dense populations of seniors;

(ii) establish an efficient workforce management approach and assign community living specialist staff and volunteers to geographic areas as well as aging and disability resource center sites so that seniors and their caregivers and professionals recognize the Senior LinkAge Line as the place to call for aging services and information;

(iii) recognize the size and complexity of the metropolitan area service system by working with metropolitan counties to establish a clear partnership with them, including seeking county advice on the establishment of local aging and disabilities resource center sites; and

(iv) maintain dashboards with metrics that demonstrate how the service is expanding and extending or enhancing its outreach efforts in dispersed or hard to reach locations in varied population centers;"

Page 55, line 4, strike "(9)" and insert "(10)"

Page 55, line 16, strike "(10)" and insert "(11)"

Page 55, line 33, strike "(11)" and insert "(12)"

Page 56, line 15, strike "(12)" and insert "(13)"

Page 176, line 22, after the stricken "group" insert "that is part of a dental group"

Page 176, line 23, after "10,000" insert "dental group"

Page 176, line 25, after "the" insert "individual"

Page 179, line 14, delete "... and insert "one"

Page 179, line 15, delete "\$500,000" and insert "\$450,000"

Page 180, delete section 24 and insert:

**"Sec. 24. REQUEST FOR INFORMATION; EMERGENCY MEDICAL ASSISTANCE.**

(a) The commissioner of human services shall issue a request for information (RFI) to identify and develop options for a program to provide emergency medical assistance recipients with coverage for medically necessary services not eligible for federal financial participation. The RFI must focus on providing coverage for nonemergent services for recipients who have two or more chronic conditions and have had two or more hospitalizations covered by emergency medical assistance in a one-year period.

(b) The RFI must be issued by August 1, 2013, and require respondents to submit information to the commissioner by November 1, 2013. The RFI must request information on:

(1) services necessary to reduce emergency department and inpatient hospital use for emergency medical assistance recipients;

(2) methods of service delivery that promote efficiency and cost-effectiveness, and provide statewide access;

(3) funding options for the services to be covered under the program;

(4) coordination of service delivery and funding with services covered under emergency medical assistance;

(5) options for program administration; and

(6) methods to evaluate the program, including evaluation of cost-effectiveness and health outcomes for those emergency medical assistance recipients eligible for coverage of additional services under the program.

(c) The commissioner shall make information submitted in response to the RFI available on the agency Web site. The commissioner, based on the responses to the RFI, shall submit recommendations on providing emergency medical assistance recipients with coverage for nonemergent services, as described in paragraph (a), to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance by January 15, 2014."

Page 181, delete section 1

Page 186, line 6, delete "\$3,717" and insert "\$3,679"

Page 200, after line 18, insert:

"(c) Effective July 1, 2013, or later, any boarding care facility in Hennepin County licensed for 100 beds shall be allowed to receive a property rate adjustment for a construction project that takes action to come into compliance with Minnesota Department of Labor and Industry elevator upgrade requirements, with costs below the minimum threshold under subdivision 16. Only costs related to the construction project that brings the facility into compliance

with the elevator requirements shall be allowed. Notwithstanding any other law to the contrary, money available under section 144A.073, subdivision 11, after the completion of the moratorium exception approval process in 2013 under section 144A.073, subdivision 3, shall be used to reduce the fiscal impact to the medical assistance program."

Page 200, line 19, delete "This section" and insert "Paragraph (b)"

Page 202, line 30, delete "two" and insert "three"

Page 221, line 14, delete "home" and insert "facility" and delete "implementation" and insert "to be implemented January 1, 2014."

Page 221, line 15, delete everything after "who" and insert "lose eligibility for home and community-based services waivers under Minnesota Statutes, sections 256B.0915 and 256B.49, and alternative care under Minnesota Statutes, section 256B.0913;"

Page 221, delete lines 16 to 23 and insert:

"(2) the number of individuals who lose eligibility for medical assistance; and

(3) for individuals reported under clauses (1) and (2), and to the extent possible:

(i) their living situation before and after nursing facility level of care implementation; and

(ii) the programs or services they received before and after nursing facility level of care implementation, including, but not limited to, personal care assistant services and essential community supports."

Page 221, line 26, after "(a)" insert ", A preliminary report shall be submitted" and delete "annually thereafter" and insert "a final report shall be submitted February 15, 2015"

Page 221, after line 26, insert:

**"Sec. 40. HOME AND COMMUNITY-BASED SERVICES REPORT CARD.**

(a) The commissioner of human services shall work with existing advisory groups to develop recommendations for a home and community-based services report card. The advisory committee shall consider the requirements from the Minnesota Consumer Information Guide under Minnesota Statutes, section 144G.06, as a base for development of a home and community-based services report card to compare the housing options available to consumers. Other items to be considered by the advisory committee in developing recommendations include:

(1) defining the goal of the report card;

(2) measuring outcomes, consumer information, and options for pay for performance;

(3) developing separate measures for programs for the elderly population and for persons with disabilities;

(4) identifying sources of information that are standardized and contain sufficient data;

(5) identifying the financial support needed to create and publicize the housing information guide, and ongoing funding for data collection and staffing to monitor, report, and analyze data;

(6) recognizing that home and community-based services settings exist with significant variations as to size, settings, and services available;

(7) ensuring that consumer choice and consumer information is retained and valued; and

(8) considering the applicability of these measures on providers based on payer source, size, and population served.

(b) The workgroup shall discuss whether additional funding, resources, or research is needed. The workgroup shall report recommendations to the legislative committees with jurisdiction over health and human services policy and finance by August 1, 2014. The report card shall be available on July 1, 2015."

Page 337, after line 8, insert:

"Section 1. Minnesota Statutes 2012, section 62A.65, subdivision 2, is amended to read:

Subd. 2. **Guaranteed renewal.** (a) No individual health plan may be offered, sold, issued, or renewed to a Minnesota resident unless the health plan provides that the plan is guaranteed renewable at a premium rate that does not take into account the claims experience or any change in the health status of any covered person that occurred after the initial issuance of the health plan to the person. The premium rate upon renewal must also otherwise comply with this section. A health carrier must not refuse to renew an individual health plan, except for nonpayment of premiums, fraud, or intentional misrepresentation of a material fact.

(b) A health carrier may elect to discontinue health plan coverage of an individual in the individual market only, excluding a grandfathered plan as defined in section 62A.011, subdivision 1c, in one or more of the following situations:

(1) the health carrier is ceasing to offer individual health plan coverage in the individual market in accordance with sections 62A.65, subdivision 8, 62E.11, subdivision 9, and federal law;

(2) for network plans, the individual no longer resides, lives, or works in the service area of the health carrier, or the area for which the health carrier is authorized to do business, but only if coverage is terminated uniformly without regard to any health status-related factor of covered individuals; or

(3) a decision by the health carrier to discontinue offering a particular type of individual health plan if it meets the following requirements:

(i) provides notice in writing to each individual provided coverage of that type of health plan at least 90 days before the date coverage will be discontinued;

(ii) provides notice to the commissioner of commerce at least 30 business days before the issuer or health carrier gives notice to the individuals;

(iii) offers to each covered individual information about products currently offered that are closest in actuarial equivalence;

(iv) offers to each covered individual, on a guaranteed issue basis, the option to purchase any other individual health plan currently being offered by the health carrier or related health carrier for individuals in the market; and

(v) acts uniformly without regard to any health status-related factor of covered individuals or dependents of covered individuals who may become eligible for coverage.

Sec. 2. Minnesota Statutes 2012, section 62A.65, is amended by adding a subdivision to read:

Subd. 2a. **Modification of plan.** At the time of coverage renewal, an issuer or health carrier may modify the health plan, excluding a grandfathered plan as defined under section 62A.011, subdivision 1c, providing individual health plan coverage offered to individuals in the individual market, so long as the modification is consistent with state law and is effective on a uniform basis for individuals with that coverage."

Page 341, delete section 4 and insert:

"Sec. 6. Minnesota Statutes 2012, section 245A.07, subdivision 2a, is amended to read:

**Subd. 2a. **Immediate suspension expedited hearing.**** (a) Within five working days of receipt of the license holder's timely appeal, the commissioner shall request assignment of an administrative law judge. The request must include a proposed date, time, and place of a hearing. A hearing must be conducted by an administrative law judge within 30 calendar days of the request for assignment, unless an extension is requested by either party and granted by the administrative law judge for good cause. The commissioner shall issue a notice of hearing by certified mail or personal service at least ten working days before the hearing. The scope of the hearing shall be limited solely to the issue of whether the temporary immediate suspension should remain in effect pending the commissioner's final order under section 245A.08, regarding a licensing sanction issued under subdivision 3 following the immediate suspension. The burden of proof in expedited hearings under this subdivision shall be limited to the commissioner's demonstration that reasonable cause exists to believe that the license holder's actions or failure to comply with applicable law or rule poses, or if the actions of other individuals or conditions in the program poses an imminent risk of harm to the health, safety, or rights of persons served by the program. "Reasonable cause" means there exist specific articulable facts or circumstances which provide the commissioner with a reasonable suspicion that there is an imminent risk of harm to the health, safety, or rights of persons served by the program. When the commissioner has determined there is reasonable cause to order the temporary immediate suspension of a license based on a violation of safe sleep requirements, as defined in section 245A.1435, the commissioner is not required to demonstrate that an infant died or was injured as a result of the safe sleep violations.

(b) The administrative law judge shall issue findings of fact, conclusions, and a recommendation within ten working days from the date of hearing. The parties shall have ten calendar days to submit exceptions to the administrative law judge's report. The record shall close at the end of the ten-day period for submission of exceptions. The commissioner's final order shall be issued within ten working days from the close of the record. Within 90 calendar days after a final order affirming an immediate suspension, the commissioner shall make a determination regarding whether a final licensing sanction shall be issued under subdivision 3. The license holder shall continue to be prohibited from operation of the program during this 90-day period.

(c) When the final order under paragraph (b) affirms an immediate suspension, and a final licensing sanction is issued under subdivision 3 and the license holder appeals that sanction, the license holder continues to be prohibited from operation of the program pending a final commissioner's order under section 245A.08, subdivision 5, regarding the final licensing sanction.

Sec. 7. Minnesota Statutes 2012, section 245A.1435, is amended to read:

**245A.1435 REDUCTION OF RISK OF SUDDEN UNEXPECTED INFANT DEATH SYNDROME IN LICENSED PROGRAMS.**

(a) When a license holder is placing an infant to sleep, the license holder must place the infant on the infant's back, unless the license holder has documentation from the infant's parent physician directing an alternative sleeping position for the infant. The parent physician directive must be on a form approved by the commissioner and must include a statement that the parent or legal guardian has read the information provided by the Minnesota Sudden

~~Infant Death Center, related to the risk of SIDS and the importance of placing an infant or child on its back to sleep to reduce the risk of SIDS. remain on file at the licensed location. An infant who independently rolls onto its stomach after being placed to sleep on its back may be allowed to remain sleeping on its stomach if the infant is at least six months of age or the license holder has a signed statement from the parent indicating that the infant regularly rolls over at home.~~

(b) ~~The license holder must place the infant in a crib directly on a firm mattress with a fitted crib sheet that fits tightly on the mattress and overlaps the mattress so it cannot be dislodged by pulling on the corner of the sheet. The license holder must not place pillows, quilts, comforters, sheepskin, pillow like stuffed toys, or other soft products in the crib with the infant. The license holder must place the infant in a crib directly on a firm mattress with a fitted sheet that is appropriate to the mattress size, that fits tightly on the mattress, and that overlaps the underside of the mattress so it cannot be dislodged by pulling on the corner of the sheet with reasonable effort. The license holder must not place anything in the crib with the infant except for the infant's pacifier. For the purposes of this section, a pacifier is defined as a synthetic nipple designed for infant sucking with nothing attached to it. The requirements of this section apply to license holders serving infants up to and including 12 months younger than one year of age. Licensed child care providers must meet the crib requirements under section 245A.146.~~

(c) ~~If an infant falls asleep before being placed in a crib, the license holder must move the infant to a crib as soon as practicable, and must keep the infant within sight of the license holder until the infant is placed in a crib. When an infant falls asleep while being held, the license holder must consider the supervision needs of other children in care when determining how long to hold the infant before placing the infant in a crib to sleep. The sleeping infant must not be in a position where the airway may be blocked or with anything covering the infant's face.~~

(d) ~~Placing a swaddled infant down to sleep in a licensed setting is not recommended for an infant of any age and is prohibited for any infant who has begun to roll over independently. However, with the written consent of a parent or guardian according to this paragraph, a license holder may place the infant who has not yet begun to roll over on its own down to sleep in a one-piece sleeper equipped with an attached system that fastens securely only across the upper torso, with no constriction of the hips or legs, to create a swaddle. Prior to any use of swaddling for sleep by a provider licensed under this chapter, the license holder must obtain informed written consent for the use of swaddling from the parent or guardian of the infant on a form provided by the commissioner and prepared in partnership with the Minnesota Sudden Infant Death Center.~~

Sec. 8. Minnesota Statutes 2012, section 245A.144, is amended to read:

**245A.144 TRAINING ON RISK OF SUDDEN UNEXPECTED INFANT DEATH AND SHAKEN BABY SYNDROME ABUSIVE HEAD TRAUMA FOR CHILD FOSTER CARE PROVIDERS.**

(a) Licensed child foster care providers that care for infants or children through five years of age must document that before staff persons and caregivers assist in the care of infants or children through five years of age, they are instructed on the standards in section 245A.1435 and receive training on reducing the risk of sudden unexpected infant death syndrome and shaken baby syndrome for abusive head trauma from shaking infants and young children. This section does not apply to emergency relative placement under section 245A.035. The training on reducing the risk of sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma may be provided as:

(1) orientation training to child foster care providers, who care for infants or children through five years of age, under Minnesota Rules, part 2960.3070, subpart 1; or

(2) in-service training to child foster care providers, who care for infants or children through five years of age, under Minnesota Rules, part 2960.3070, subpart 2.

(b) Training required under this section must be at least one hour in length and must be completed at least once every five years. At a minimum, the training must address the risk factors related to sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma, means of reducing the risk of sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma, and license holder communication with parents regarding reducing the risk of sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma.

(c) Training for child foster care providers must be approved by the county or private licensing agency that is responsible for monitoring the child foster care provider under section 245A.16. The approved training fulfills, in part, training required under Minnesota Rules, part 2960.3070.

Sec. 9. Minnesota Statutes 2012, section 245A.1444, is amended to read:

**245A.1444 TRAINING ON RISK OF SUDDEN UNEXPECTED INFANT DEATH SYNDROME AND SHAKEN BABY SYNDROME ABUSIVE HEAD TRAUMA BY OTHER PROGRAMS.**

A licensed chemical dependency treatment program that serves clients with infants or children through five years of age, who sleep at the program and a licensed children's residential facility that serves infants or children through five years of age, must document that before program staff persons or volunteers assist in the care of infants or children through five years of age, they are instructed on the standards in section 245A.1435 and receive training on reducing the risk of sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma from shaking infants and young children. The training conducted under this section may be used to fulfill training requirements under Minnesota Rules, parts 2960.0100, subpart 3; and 9530.6490, subpart 4, item B.

This section does not apply to child care centers or family child care programs governed by sections 245A.40 and 245A.50.

Sec. 10. **[245A.1446] FAMILY CHILD CARE DIAPERING AREA DISINFECTION.**

Notwithstanding Minnesota Rules, part 9502.0435, a family child care provider may disinfect the diaper changing surface with either a solution of at least two teaspoons of chlorine bleach to one quart of water or with a surface disinfectant that meets the following criteria:

- (1) the manufacturer's label or instructions state that the product is registered with the United States Environmental Protection Agency;
- (2) the manufacturer's label or instructions state that the disinfectant is effective against Staphylococcus aureus, Salmonella choleraesuis, and Pseudomonas aeruginosa;
- (3) the manufacturer's label or instructions state that the disinfectant is effective with a ten minute or less contact time;
- (4) the disinfectant is clearly labeled by the manufacturer with directions for mixing and use;
- (5) the disinfectant is used only in accordance with the manufacturer's directions; and
- (6) the product does not include triclosan or derivatives of triclosan.

Sec. 11. **[245A.147] FAMILY CHILD CARE INFANT SLEEP SUPERVISION REQUIREMENTS.**

Subdivision 1. **In-person checks on infants.** (a) License holders that serve infants are encouraged to monitor sleeping infants by conducting in-person checks on each infant in their care every 30 minutes.

(b) Upon enrollment of an infant in a family child care program, the license holder is encouraged to conduct in-person checks on the sleeping infant every 15 minutes during the first four months of care.

(c) When an infant has an upper respiratory infection, the license holder is encouraged to conduct in-person checks on the sleeping infant every 15 minutes throughout the hours of sleep.

Subd. 2. Use of audio or visual monitoring devices. In addition to conducting the in-person checks encouraged under subdivision 1, license holders serving infants are encouraged to use and maintain an audio or visual monitoring device to monitor each sleeping infant in care during all hours of sleep.

Sec. 12. **[245A.152] CHILD CARE LICENSE HOLDER INSURANCE.**

(a) A license holder must provide a written notice to all parents or guardians of all children to be accepted for care prior to admission stating whether the license holder has liability insurance. This notice may be incorporated into and provided on the admission form used by the license holder.

(b) If the license holder has liability insurance:

(1) the license holder shall inform parents in writing that a current certificate of coverage for insurance is available for inspection to all parents or guardians of children receiving services and to all parents seeking services from the family child care program;

(2) the notice must provide the parent or guardian with the date of expiration or next renewal of the policy; and

(3) upon the expiration date of the policy, the license holder must provide a new written notice indicating whether the insurance policy has lapsed or whether the license holder has renewed the policy.

If the policy was renewed, the license holder must provide the new expiration date of the policy in writing to the parents or guardians.

(c) If the license holder does not have liability insurance, the license holder must provide an annual notice, on a form developed and made available by the commissioner, to the parents or guardians of children in care indicating that the license holder does not carry liability insurance.

(d) The license holder must notify all parents and guardians in writing immediately of any change in insurance status.

(e) The license holder must make available upon request the certificate of liability insurance to the parents of children in care, to the commissioner, and to county licensing agents.

(f) The license holder must document, with the signature of the parent or guardian, that the parent or guardian received the notices required by this section.

Sec. 13. Minnesota Statutes 2012, section 245A.40, subdivision 5, is amended to read:

**Subd. 5. Sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma training.** (a) License holders must document that before staff persons and volunteers care for infants, they are instructed on the standards in section 245A.1435 and receive training on reducing the risk of sudden unexpected infant death syndrome. In addition, license holders must document that before staff persons care for infants or children under school age, they receive training on the risk of shaken baby syndrome abusive head trauma from shaking infants and young children. The training in this subdivision may be provided as orientation training under subdivision 1 and in-service training under subdivision 7.

(b) Sudden unexpected infant death syndrome reduction training required under this subdivision must be at least one-half hour in length and must be completed at least once every five years year. At a minimum, the training must address the risk factors related to sudden unexpected infant death syndrome, means of reducing the risk of sudden unexpected infant death syndrome in child care, and license holder communication with parents regarding reducing the risk of sudden unexpected infant death syndrome.

(c) Shaken baby syndrome Abusive head trauma training under this subdivision must be at least one-half hour in length and must be completed at least once every five years year. At a minimum, the training must address the risk factors related to shaken baby syndrome for shaking infants and young children, means to reduce the risk of shaken baby syndrome abusive head trauma in child care, and license holder communication with parents regarding reducing the risk of shaken baby syndrome abusive head trauma.

(d) The commissioner shall make available for viewing a video presentation on the dangers associated with shaking infants and young children. The video presentation must be part of the orientation and annual in-service training of licensed child care center staff persons caring for children under school age. The commissioner shall provide to child care providers and interested individuals, at cost, copies of a video approved by the commissioner of health under section 144.574 on the dangers associated with shaking infants and young children.

Sec. 14. Minnesota Statutes 2012, section 245A.50, is amended to read:

#### **245A.50 FAMILY CHILD CARE TRAINING REQUIREMENTS.**

Subdivision 1. **Initial training.** (a) License holders, caregivers, and substitutes must comply with the training requirements in this section.

(b) Helpers who assist with care on a regular basis must complete six hours of training within one year after the date of initial employment.

Subd. 2. **Child growth and development and behavior guidance training.** (a) For purposes of family and group family child care, the license holder and each adult caregiver who provides care in the licensed setting for more than 30 days in any 12-month period shall complete and document at least two four hours of child growth and development and behavior guidance training within the first year of prior to initial licensure, and before caring for children. For purposes of this subdivision, "child growth and development training" means training in understanding how children acquire language and develop physically, cognitively, emotionally, and socially. "Behavior guidance training" means training in the understanding of the functions of child behavior and strategies for managing challenging situations. Child growth and development and behavior guidance training must be repeated annually. Training curriculum shall be developed or approved by the commissioner of human services by January 1, 2014.

(b) Notwithstanding paragraph (a), individuals are exempt from this requirement if they:

(1) have taken a three-credit course on early childhood development within the past five years;

(2) have received a baccalaureate or master's degree in early childhood education or school-age child care within the past five years;

(3) are licensed in Minnesota as a prekindergarten teacher, an early childhood educator, a kindergarten to grade 6 teacher with a prekindergarten specialty, an early childhood special education teacher, or an elementary teacher with a kindergarten endorsement; or

(4) have received a baccalaureate degree with a Montessori certificate within the past five years.

Subd. 3. **First aid.** (a) When children are present in a family child care home governed by Minnesota Rules, parts 9502.0315 to 9502.0445, at least one staff person must be present in the home who has been trained in first aid. The first aid training must have been provided by an individual approved to provide first aid instruction. First aid training may be less than eight hours and persons qualified to provide first aid training include individuals approved as first aid instructors. First aid training must be repeated every two years.

(b) A family child care provider is exempt from the first aid training requirements under this subdivision related to any substitute caregiver who provides less than 30 hours of care during any 12-month period.

(c) Video training reviewed and approved by the county licensing agency satisfies the training requirement of this subdivision.

Subd. 4. **Cardiopulmonary resuscitation.** (a) When children are present in a family child care home governed by Minnesota Rules, parts 9502.0315 to 9502.0445, at least one staff person must be present in the home who has been trained in cardiopulmonary resuscitation (CPR) and in the treatment of obstructed airways that includes CPR techniques for infants and children. The CPR training must have been provided by an individual approved to provide CPR instruction, must be repeated at least once every three two years, and must be documented in the staff person's records.

(b) A family child care provider is exempt from the CPR training requirement in this subdivision related to any substitute caregiver who provides less than 30 hours of care during any 12-month period.

(c) Video training reviewed and approved by the county licensing agency satisfies the training requirement of this subdivision. Persons providing CPR training must use CPR training that has been developed:

(1) by the American Heart Association or the American Red Cross and incorporates psychomotor skills to support the instruction; or

(2) using nationally recognized, evidence-based guidelines for CPR training and incorporates psychomotor skills to support the instruction.

Subd. 5. **Sudden unexpected infant death syndrome and shaken baby syndrome abusive head trauma training.** (a) License holders must document that before staff persons, caregivers, and helpers assist in the care of infants, they are instructed on the standards in section 245A.1435 and receive training on reducing the risk of sudden unexpected infant death syndrome. In addition, license holders must document that before staff persons, caregivers, and helpers assist in the care of infants and children under school age, they receive training on reducing the risk of shaken baby syndrome abusive head trauma from shaking infants and young children. The training in this subdivision may be provided as initial training under subdivision 1 or ongoing annual training under subdivision 7.

(b) Sudden unexpected infant death syndrome reduction training required under this subdivision must be at least one-half hour in length and must be completed in person at least once every five years two years. On the years when the license holder is not receiving the in-person training on sudden unexpected infant death reduction, the license holder must receive sudden unexpected infant death reduction training through a video of no more than one hour in length developed or approved by the commissioner. At a minimum, the training must address the risk factors related to sudden unexpected infant death syndrome, means of reducing the risk of sudden unexpected infant death syndrome in child care, and license holder communication with parents regarding reducing the risk of sudden unexpected infant death syndrome.

(c) Shaken baby syndrome Abusive head trauma training required under this subdivision must be at least one-half hour in length and must be completed at least once every five years year. At a minimum, the training must address the risk factors related to shaken baby syndrome shaking infants and young children, means of reducing the risk of shaken baby syndrome abusive head trauma in child care, and license holder communication with parents regarding reducing the risk of shaken baby syndrome abusive head trauma.

(d) Training for family and group family child care providers must be developed by the commissioner in conjunction with the Minnesota Sudden Infant Death Center and approved by the county licensing agency by the Minnesota Center for Professional Development.

(e) The commissioner shall make available for viewing by all licensed child care providers a video presentation ~~on the dangers associated with shaking infants and young children. The video presentation shall be part of the initial and ongoing annual training of licensed child care providers, caregivers, and helpers caring for children under school age. The commissioner shall provide to child care providers and interested individuals, at cost, copies of a video approved by the commissioner of health under section 144.574 on the dangers associated with shaking infants and young children.~~

**Subd. 6. Child passenger restraint systems; training requirement.** (a) A license holder must comply with all seat belt and child passenger restraint system requirements under section 169.685.

(b) Family and group family child care programs licensed by the Department of Human Services that serve a child or children under nine years of age must document training that fulfills the requirements in this subdivision.

(1) Before a license holder, staff person, caregiver, or helper transports a child or children under age nine in a motor vehicle, the person placing the child or children in a passenger restraint must satisfactorily complete training on the proper use and installation of child restraint systems in motor vehicles. Training completed under this subdivision may be used to meet initial training under subdivision 1 or ongoing training under subdivision 7.

(2) Training required under this subdivision must be at least one hour in length, completed at initial training, and repeated at least once every five years. At a minimum, the training must address the proper use of child restraint systems based on the child's size, weight, and age, and the proper installation of a car seat or booster seat in the motor vehicle used by the license holder to transport the child or children.

(3) Training under this subdivision must be provided by individuals who are certified and approved by the Department of Public Safety, Office of Traffic Safety. License holders may obtain a list of certified and approved trainers through the Department of Public Safety Web site or by contacting the agency.

(c) Child care providers that only transport school-age children as defined in section 245A.02, subdivision 19, paragraph (f), in child care buses as defined in section 169.448, subdivision 1, paragraph (e), are exempt from this subdivision.

**Subd. 7. Training requirements for family and group family child care.** For purposes of family and group family child care, the license holder and each primary caregiver must complete ~~eight 16 hours of ongoing~~ training each year. For purposes of this subdivision, a primary caregiver is an adult caregiver who provides services in the licensed setting for more than 30 days in any 12-month period. Repeat of topical training requirements in subdivisions 2 to 8 shall count toward the annual 16-hour training requirement. Additional ongoing training subjects to meet the annual 16-hour training requirement must be selected from the following areas:

- (1) "child growth and development training" has the meaning given in under subdivision 2, paragraph (a);
- (2) "learning environment and curriculum" includes, including training in establishing an environment and providing activities that provide learning experiences to meet each child's needs, capabilities, and interests;
- (3) "assessment and planning for individual needs" includes, including training in observing and assessing what children know and can do in order to provide curriculum and instruction that addresses their developmental and learning needs, including children with special needs and bilingual children or children for whom English is not their primary language;

(4) "interactions with children" includes, including training in establishing supportive relationships with children, guiding them as individuals and as part of a group;

(5) "families and communities" includes, including training in working collaboratively with families and agencies or organizations to meet children's needs and to encourage the community's involvement;

(6) "health, safety, and nutrition" includes, including training in establishing and maintaining an environment that ensures children's health, safety, and nourishment, including child abuse, maltreatment, prevention, and reporting; home and fire safety; child injury prevention; communicable disease prevention and control; first aid; and CPR; and

(7) "program planning and evaluation" includes, including training in establishing, implementing, evaluating, and enhancing program operations; and

(8) behavior guidance, including training in the understanding of the functions of child behavior and strategies for managing behavior.

**Subd. 8. Other required training requirements.** (a) The training required of family and group family child care providers and staff must include training in the cultural dynamics of early childhood development and child care. The cultural dynamics and disabilities training and skills development of child care providers must be designed to achieve outcomes for providers of child care that include, but are not limited to:

(1) an understanding and support of the importance of culture and differences in ability in children's identity development;

(2) understanding the importance of awareness of cultural differences and similarities in working with children and their families;

(3) understanding and support of the needs of families and children with differences in ability;

(4) developing skills to help children develop unbiased attitudes about cultural differences and differences in ability;

(5) developing skills in culturally appropriate caregiving; and

(6) developing skills in appropriate caregiving for children of different abilities.

The commissioner shall approve the curriculum for cultural dynamics and disability training.

(b) The provider must meet the training requirement in section 245A.14, subdivision 11, paragraph (a), clause (4), to be eligible to allow a child cared for at the family child care or group family child care home to use the swimming pool located at the home.

**Subd. 9. Supervising for safety; training requirement.** Effective July 1, 2014, all family child care license holders and each adult caregiver who provides care in the licensed family child care home for more than 30 days in any 12-month period shall complete and document at least six hours of approved training on supervising for safety prior to initial licensure, and before caring for children. At least two hours of training on supervising for safety must be repeated annually. For purposes of this subdivision, "supervising for safety" includes supervision basics, supervision outdoors, equipment and materials, illness, injuries, and disaster preparedness. The commissioner shall develop the supervising for safety curriculum by January 1, 2014.

**Subd. 10. Approved training.** County licensing staff must accept training approved by the Minnesota Center for Professional Development, including:

(1) face-to-face or classroom training;

(2) online training; and

(3) relationship-based professional development, such as mentoring, coaching, and consulting."

Page 350, line 25, strike "prostitution" and insert "sexual exploitation"

Page 351, line 28, strike "prostitution" and insert "sexual exploitation"

Page 352, line 5, after the period, insert "Programs funded under this section must submit demographic and outcome information to the commissioner. The commissioner must submit a report regarding program demographic and outcome information to the legislature upon request."

Page 356, after line 6, insert:

"Sec. 28. Laws 2011, First Special Session chapter 9, article 1, section 3, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective January 1, 2013 July 1, 2014.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013."

Page 356, line 31, before the comma, insert "under Minnesota Statutes, chapter 256B, and MinnesotaCare under Minnesota Statutes, chapter 256L"

Page 357, line 1, after "income" insert a comma

Page 357, line 7, delete everything after the period

Page 357, after line 7, insert:

"(d) For the purposes of this section:"

Page 357, line 13, delete "goal setting" and insert "goal-setting"

Page 357, after line 15, insert:

"Sec. 31. **REDUCTION OF YOUTH HOMELESSNESS.**

(a) The Minnesota Interagency Council on Homelessness established under the authority of Minnesota Statutes, section 462A.29, as it updates its statewide plan to prevent and end homelessness, shall make recommendations on strategies to reduce the number of youth experiencing homelessness and to prevent homelessness for youth who are at risk of becoming homeless.

(b) Recommended strategies must take into consideration, to the extent feasible, issues that contribute to or reduce youth homelessness including, but not limited to, mental health, chemical dependency, trafficking of youth for sex or other purposes, exiting foster care, and involvement in gangs. The recommended strategies must include supportive services as outlined in Minnesota Statutes, section 256K.45, subdivision 5.

(c) The council shall provide an update on the status of its work by December 1, 2014, to the legislative committees with jurisdiction over housing, homelessness, and matters pertaining to youth. If the council determines legislative action is required to implement recommended strategies, the council shall submit proposals to the legislature at the earliest possible opportunity."

Page 430, after line 10, insert:

"Sec. 8. Minnesota Statutes 2012, section 144.0724, subdivision 6, is amended to read:

**Subd. 6. Penalties for late or nonsubmission.** A facility that fails to complete or submit an assessment for a RUG-III or RUG-IV classification within seven days of the time requirements in subdivisions 4 and 5 is subject to a reduced rate for that resident. The reduced rate shall be the lowest rate for that facility. The reduced rate is effective on the day of admission for new admission assessments or on the day that the assessment was due for all other assessments and continues in effect until the first day of the month following the date of submission of the resident's assessment. If loss of revenue due to penalties incurred by a facility for any period of 92 days are equal to or greater than 1.0 percent of the total operating costs on the facility's most recent annual statistical and cost report, a facility may apply to the commissioner of human services for a reduction in the total penalty amount. The commissioner of human services in consultation with the commissioner of health may, at the sole discretion of the commissioner of human services, limit the penalty for residents covered by medical assistance to 15 days."

Page 441, after line 31, insert:

"Sec. 24. Minnesota Statutes 2012, section 144A.53, subdivision 2, is amended to read:

**Subd. 2. Complaints.** The director may receive a complaint from any source concerning an action of an administrative agency, a health care provider, a home care provider, a residential care home, or a health facility. The director may require a complainant to pursue other remedies or channels of complaint open to the complainant before accepting or investigating the complaint. Investigators are required to interview at least one family member of the vulnerable adult identified in the complaint. If the vulnerable adult is directing the vulnerable adult's own care and does not want the investigator to contact the family, this information shall be documented in the investigative file.

The director shall keep written records of all complaints and any action upon them. After completing an investigation of a complaint, the director shall inform the complainant, the administrative agency having jurisdiction over the subject matter, the health care provider, the home care provider, the residential care home, and the health facility of the action taken. Complainants must be provided a copy of the public report upon completion of the investigation."

Page 443, line 20, after "illness" insert ", preventable health costs,"

Page 443, line 26, strike "2009" and insert "2013"

Page 443, line 27, strike "competitive" and after "to" insert "all"

Page 444, delete lines 26 to 30

Page 445, delete lines 8 to 19 and insert:

"(b) In carrying out its responsibilities for administration, technical assistance, and oversight, the commissioner may contract out its responsibilities within the limits of the administrative budget given for those purposes."

Page 445, delete lines 28 to 36

Page 478, line 24, delete "5,644,039,000" and insert "5,643,757,000" and delete "5,876,951,000" and insert "5,877,152,000" and delete "11,520,990,000" and insert "11,520,909,000"

Page 478, line 27, delete "664,161,000" and insert "664,087,000" and delete "427,466,000" and insert "432,345,000" and delete "1,091,628,000" and insert "1,096,433,000"

Page 478, line 30, delete "6,649,113,000" and insert "6,648,757,000" and delete "6,646,747,000" and insert "6,651,827,000" and delete "13,295,860,000" and insert "13,300,584,000"

Page 479, line 17, delete "5,558,517,000" and insert "5,558,235,000" and delete "5,796,553,000" and insert "5,796,754,000"

Page 479, line 20, delete "631,881,000" and insert "631,807,000" and delete "395,749,000" and insert "395,628,000"

Page 489, line 28, delete "296,272,000" and insert "296,282,000" and delete "226,606,000" and insert "226,619,000"

Page 489, line 31, delete "4,368,215,000" and insert "4,371,808,000" and delete "4,592,196,000" and insert "4,595,789,000"

Page 489, line 32, delete "292,771,000" and insert "292,697,000" and delete "123,507,000" and insert "123,386,000"

Page 490, line 4, delete "\$239,934,000" and insert "\$240,426,000"

Page 490, line 5, delete "\$218,047,000" and insert "\$218,557,000"

Page 491, delete lines 15 to 33

Page 492, delete lines 1 to 16

Page 493, line 26, delete "16,572,000" and insert "16,597,000" and delete "16,573,000" and insert "16,598,000"

Page 494, after line 4, insert:

**"Food Shelf Programs.** \$25,000 each year from the general fund is for food shelf programs under Minnesota Statutes, section 256E.34. This appropriation is onetime. Notwithstanding Minnesota Statutes, section 256E.34, subdivision 4, no portion of this appropriation may be used by Hunger Solutions for its administrative expenses, including but not limited to rent and salaries."

Page 494, delete lines 9 to 23 and insert:

**"Premium Subsidy.** \$..... is appropriated from the general fund in fiscal years 2014 and 2015 to the commissioner of human services for the purpose of providing a premium subsidy to families purchasing supplemental autism coverage for young children on the private market if a family has an income below 400 percent of the federal poverty level. The commissioner may utilize the existing eligibility and enrollment system described in Minnesota Statutes, section 252.27, to determine a family's eligibility for subsidies under this section. This appropriation is available until expended and does not become part of the base."

Page 494, line 27, delete "22,149,000" and insert "18,556,000" and delete "23,015,000" and insert "19,422,000"

Page 494, after line 27, insert:

**Community Service Development Grants and Community Services Grants.** Of this appropriation, \$1,025,000 each year is for community service development grants and \$1,165,000 each year is for community services grants."

Page 494, line 30, delete "(a)"

Page 497, line 21, delete "168,946,000" and insert "173,946,000"

Page 497, line 27, delete "31,717,000" and insert "36,717,000"

Page 498, line 5, delete "21,731,000" and insert "26,731,000"

Page 498, delete lines 16 to 21 and insert:

"(a) \$20,000,000 in fiscal year 2014 and \$25,000,000 in fiscal year 2015 is from the Health Care Access fund for the Statewide Health Improvement Program (SHIP) for grants to all local community health boards and tribal governments. Funds appropriated under this paragraph are available until expended. Public health agencies in their third cycle of SHIP funding shall incorporate activities targeted to addressing populations with health disparities or persons with disabilities.

(b) Of the appropriated amount, \$500,000 in fiscal year 2015 shall be distributed as two-year pilot grants focused on improving health and reducing health care costs in populations over age 60. Grants shall be awarded by February 1, 2014, to five county public health agencies, multicounty public health agency partnerships, or county/city public health agency partnerships to initiate evidence-based strategies for improving the physical activity levels of citizens over age 60 with a goal of improving health and reducing health care costs. Partnerships with community education, health providers, or other local institutions shall be encouraged to establish ongoing outreach and sustainable programming.

(c) Pilot project funds shall be distributed based on a \$30,000 base with a per senior add-on based on the population to be served and shall include urban, suburban, regional center, and rural counties. Each grant shall serve an area with a minimum population base of persons over age 60 and shall target those seniors most at risk of high health costs due to a sedentary lifestyle, chronic disease, or other risk factors. Up to 8 percent of the above appropriation is available for creating a library of evidence-based programs that improve health and reduce health care costs, outcome-based reporting, and administration. The planning for the pilots shall engage local public health officials, other health promotion organizations and Board of Aging staff, and explore the potential future use of Title III Older American Act funds and other nonstate funding.

(d) No more than 16 percent of the SHIP budget may be used for administration, technical assistance, and state-level evaluation costs."

Adjust amounts accordingly

Reletter the paragraphs in sequence

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

Lenczewski from the Committee on Taxes to which was referred:

H. F. No. 1444, A bill for an act relating to government finance; appropriating money for transportation, Metropolitan Council, and public safety activities and programs; providing for fund transfers, tort claims, and certain contingent appropriations; modifying various provisions related to transportation finance and policy; making technical and clarifying changes; amending Minnesota Statutes 2012, sections 161.20, subdivision 3; 161.44, by adding a subdivision; 163.051; 168A.01, subdivision 6a; 171.05, subdivision 2, by adding a subdivision; 171.061, subdivision 4; 174.40, by adding a subdivision; 219.1651; 297A.993, subdivisions 1, 2; 299E.01, subdivisions 2, 3; 398A.10, by adding a subdivision; Laws 2009, chapter 9, section 1; proposing coding for new law in Minnesota Statutes, chapters 161; 174; repealing Minnesota Statutes 2012, sections 161.04, subdivision 6; 174.285, subdivision 8.

Reported the same back with the following amendments:

Page 22, delete section 4

Page 30, delete sections 13 and 14

Renumber the sections in sequence and correct the internal references

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.

Nelson from the Committee on Government Operations to which was referred:

H. F. No. 1765, A bill for an act relating to tax increment financing and other publicly financed projects; modifying requirements for receipt of public funds.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. **LABOR PEACE AGREEMENTS.**

(a) Labor peace agreements are required on any qualifying project in which the state or a local government has a proprietary interest or acts as a market participant if the project will result in the employment of hospitality workers.

(b) For the purposes of this section:

(1) the state or a local government has a proprietary interest or acts as a market participant in a project where it is the owner of the project or finances the project in whole or in part by any of the following: providing a grant, providing a loan, contributing real property, personal property, or infrastructure, guaranteeing any payment under any loan, lease, or other obligation, providing tax increment financing, contributing revenue on general obligation bonds, or providing a tax abatement, reduction, deferral, or credit;

(2) "qualifying project" means a project that is located in a county that contains a city of the first class as defined under Minnesota Statutes, section 410.01, and includes the construction or development of a hotel, a food and beverage operation that is integral to or adjacent to a hotel, a sports facility, a convention center, a civic center, or a cultural venue with catering or cafeteria facilities;

(3) "hospitality workers" means all full-time or regular part-time employees of hotels and their adjacent or integral food and beverage operations as well as all full-time or regular part-time employees providing food and beverage, concession, gaming, catering, cafeteria, or merchandise services at sports facilities, convention centers, civic centers, or cultural venues, excluding supervisors, managers, and guards;

(4) "employer of hospitality workers" means an employer of hospitality workers on a qualifying project and includes a developer of a state or local government-owned facility on a qualifying project or a developer of a facility benefiting from state or local government financing on a qualifying project; and

(5) "labor peace agreement" means a valid collective bargaining agreement or other contract under United States Code, title 29, section 185, between an employer of hospitality workers and any labor organization seeking to represent hospitality workers on a qualifying project. Such agreements must contain a provision prohibiting the labor organization and its members, and in the case of a collective bargaining agreement, all employees covered by the agreement, from engaging in any picketing, work stoppages, boycotts, or any other economic interference with the employer's hospitality operations on the qualifying project for the duration of the state or local government's proprietary interest in the qualifying project or as long as the state or local government acts as a market participant in the qualifying project. Each such agreement must provide that during this time period all disputes relating to employment conditions or the negotiation thereof shall be submitted to final and binding arbitration. Each such agreement must provide that the employer of hospitality workers shall require that any services to be performed by hospitality workers employed by the employer's contractors, subcontractors, tenants, or subtenants shall be done under collective bargaining agreements or other contracts under United States Code, title 29, section 185, containing the same provisions as specified in this clause.

(c) Any employer of hospitality workers on a qualifying project in which the state or a local government has a proprietary interest or acts as a market participant must have a labor peace agreement with any interested labor organization prior to, and as a condition precedent of, state or local government financing. When the state or a local government acts as project owner, any employer of hospitality workers must have a signed labor peace agreement with any interested labor organization prior to, and as a condition precedent to, its contract with the state or local government."

Delete the title and insert:

"A bill for an act relating to commerce; requiring labor peace agreements on certain qualifying projects; defining terms."

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

The report was adopted.

Murphy, E., from the Committee on Rules and Legislative Administration to which was referred:

S. F. No. 1589, A bill for an act relating to the operation of state government finance; allowing the secretary of state authority to accept funds from local government units for election systems enhancements and to receive certain funds for the address confidentiality program; allowing the state auditor to charge a onetime user fee for a small city and town accounting system software; changing provisions for bid solicitations and proposals; changing certain provisions for service contracts and the solicitation process; requiring a determination of the IT cost for agency technology projects; expanding E-Government initiative and establishing the E-Government Advisory Council; changing certain audit provisions from the state auditor to the legislative auditor; repealing the Minnesota Sunset Act; changing provisions for barbering and cosmetology; changing licensing provisions for accountants; changing a paid military leave provision; modifying provisions in the Veterans Service Office grant program; changing provision in the Minnesota GI Bill program; establishing a veterans home in Beltrami County; making Department of Revenue changes; making compensation council changes and requiring a compensation study; adjusting certain salary groups; establishing administrative penalties; establishing fees; appropriating money; amending Minnesota Statutes 2012, sections 3.099, subdivision 1; 3.855, subdivision 3; 13.591, subdivision 3; 15A.0815, subdivisions 1, 2, 3, 5; 15A.082, subdivision 2; 16A.82; 16C.02, subdivision 13; 16C.06, subdivision 2; 16C.09; 16C.10, subdivision 6; 16C.145; 16C.33, subdivision 3; 16C.34, subdivision 1; 16E.07, by adding a subdivision; 32C.04; 43A.17, subdivisions 1, 3; 65B.84, subdivision 1; 154.001, by adding a subdivision; 154.003; 154.02; 154.05; 154.06; 154.065, subdivision 2; 154.07, subdivision 1; 154.08; 154.09; 154.10, subdivision 1; 154.11, subdivision 1; 154.12; 154.14; 154.15, subdivision 2; 154.26; 155A.23, subdivision 3; 155A.25, subdivisions 1a, 4; 155A.27, subdivisions 4, 7, 10; 155A.29, subdivision 2; 155A.30, subdivision 1, by adding subdivisions; 192.26; 197.608, subdivisions 1, 3, 4, 5, 6; 197.791, subdivisions 4, 5; 254A.035, subdivision 2; 254A.04; 256B.093, subdivision 1; 260.835, subdivision 2; 270C.69, subdivision 1; 289A.20, subdivisions 2, 4; 289A.26, subdivision 2a; 295.55, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 326A.04, subdivisions 2, 3, 5, 7; 326A.10; 469.3201; 473.843, subdivision 3; Laws 2012, chapter 278, article 1, section 5; article 2, sections 27; 34; proposing coding for new law in Minnesota Statutes, chapters 4; 5; 5B; 6; 16E; 154; 155A; 198; 297I; repealing Minnesota Statutes 2012, sections 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; 3D.21, subdivisions 2, 3, 4, 5, 6, 7, 8; 43A.17, subdivision 4; 155A.25, subdivision 1; 168A.40, subdivisions 3, 4; 197.608, subdivision 2a; 270C.145; 326A.03, subdivisions 2, 5, 8; Laws 2012, chapter 278, article 1, section 6; Minnesota Rules, parts 1105.0600; 1105.2550; 1105.2700.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

**"ARTICLE 1  
STATE GOVERNMENT APPROPRIATIONS**

**Section 1. STATE GOVERNMENT APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015.

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

<u>2014</u>	<u>2015</u>
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**Sec. 2. LEGISLATURE**

<u>Subdivision 1. Total Appropriation</u>	<u>\$67,708,000</u>
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Appropriations by Fund

<u>2014</u>	<u>2015</u>
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<u>General</u>	<u>67,580,000</u>	<u>67,582,000</u>
<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>

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

<u>Subd. 2. Senate</u>	<u>22,212,000</u>
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<u>Subd. 3. House of Representatives</u>	<u>29,862,000</u>
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During the biennium ending June 30, 2015, any revenues received by the house of representatives from voluntary donations to support broadcast or print media are appropriated to the house of representatives.

<u>Subd. 4. Legislative Coordinating Commission</u>	<u>15,634,000</u>
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Appropriations by Fund

<u>General</u>	<u>15,506,000</u>	<u>15,507,000</u>
<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>

\$139,000 each year of the appropriation from the general fund is transferred from the Legislative Coordinating Commission operations budget to the budget for the office of the legislative auditor. The Legislative Audit Commission is requested to direct the legislative auditor to use the additional funds to conduct additional evaluations of executive branch state agencies to determine:

(1) the efficiency and effectiveness with which the agency operates;

(2) an identification of the mission, goals, and objectives intended for the agency, and the extent to which the mission, goals, and objectives have been achieved; and

(3) the extent to which the jurisdiction of the agency and the programs administered by the agency overlap or duplicate those of other agencies, the extent to which the agency coordinates with those agencies, and the extent to which the programs administered by the agency can be consolidated with the programs of other state agencies.

Sec. 3. <b><u>GOVERNOR AND LIEUTENANT GOVERNOR</u></b>	<b><u>\$3,217,000</u></b>	<b><u>\$3,240,000</u></b>
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(a) This appropriation is to fund the Office of the Governor and Lieutenant Governor.

(b) \$19,000 the first year and \$19,000 the second year are for necessary expenses in the normal performance of the governor's and lieutenant governor's duties for which no other reimbursement is provided.

(c) By September 1 of each year, the commissioner of management and budget shall report to the chairs and ranking minority members of the senate State Government Innovation and Veterans Affairs Committee and the house of representatives State Government Finance Committee any personnel costs incurred by the Offices of the Governor and Lieutenant Governor that were supported by appropriations to other agencies during the previous fiscal year. The Office of the Governor shall inform the chairs and ranking minority members of the committees before initiating any interagency agreements.

(d) During the biennium ending June 30, 2015, the Office of the Governor may not receive payments of more than \$720,000 each fiscal year from other executive agencies under Minnesota Statutes, section 15.53, to support office costs, not including the residence groundskeeper, incurred by the office. Payments received under this paragraph must be deposited in a special revenue account. Money in the account is appropriated to the Office of the Governor. The authority in this paragraph supersedes other law enacted in 2013 that limits the ability of the office to enter into agreements relating to office costs with other executive branch agencies or prevents the use of appropriations made to other agencies for agreements with the office under Minnesota Statutes, section 15.53.

Sec. 4. <b><u>STATE AUDITOR</u></b>	<b><u>\$1,980,000</u></b>	<b><u>\$2,100,000</u></b>
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Sec. 5. <b><u>ATTORNEY GENERAL</u></b>	<b><u>\$23,446,000</u></b>	<b><u>\$23,606,000</u></b>
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Appropriations by Fund

	<u>2014</u>	<u>2015</u>
General	<u>21,229,000</u>	<u>21,389,000</u>
State Government Special	<u>1,822,000</u>	<u>1,822,000</u>
Revenue	<u>145,000</u>	<u>145,000</u>
Environmental	<u>250,000</u>	<u>250,000</u>
Remediation		

Sec. 6. <b><u>SECRETARY OF STATE</u></b>	<b><u>\$5,707,000</u></b>	<b><u>\$6,393,000</u></b>
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Any funds available in the account established in Minnesota Statutes, section 5.30, pursuant to the Help America Vote Act, are appropriated for the purposes and uses authorized by federal law.

**Redistricting Case.** \$355,000 the first year is appropriated to the secretary of state to be used to pay attorney fees as ordered by the court in the legislative and congressional redistricting case Hippert et al v. Ritchie et al, A11-152, and interest thereon. This appropriation is available for expenditure the day following final enactment.

Sec. 7. <b><u>CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD</u></b>	<b><u>\$1,006,000</u></b>	<b><u>\$1,013,000</u></b>
Sec. 8. <b><u>INVESTMENT BOARD</u></b>	<b><u>\$139,000</u></b>	<b><u>\$139,000</u></b>
Sec. 9. <b><u>ADMINISTRATIVE HEARINGS</u></b>	<b><u>\$7,731,000</u></b>	<b><u>\$7,507,000</u></b>

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
General	<u>481,000</u>	<u>257,000</u>
Workers' Compensation	<u>7,250,000</u>	<u>7,250,000</u>

\$130,000 in the first year is for the cost of considering complaints filed under Minnesota Statutes, section 211B.32. Any amount of this appropriation that remains unspent at the end of the biennium must be canceled to the general account of the state elections campaign fund. The base for fiscal year 2016 is \$130,000 to be available for the biennium, under the same terms.

**Data practices hearings.** \$36,000 the first year is to cover the fiscal year 2013 costs for data practices hearings.

**Campaign violations hearings.** \$60,000 the first year is to cover the costs of campaign violations hearings. This is a onetime appropriation.

Sec. 10. <b><u>OFFICE OF ENTERPRISE TECHNOLOGY</u></b>	<b><u>\$2,467,000</u></b>	<b><u>\$2,505,000</u></b>
<u>During the biennium ending June 30, 2015, the Office of Enterprise Technology must not charge fees to a public noncommercial educational television broadcast station eligible for funding under Minnesota Statutes, chapter 129D, for access to the state broadcast infrastructure. If the access fees not charged to public noncommercial educational television broadcast stations total more than \$400,000 for the biennium, the office may charge for access fees in excess of these amounts.</u>		

**Sec. 11. ADMINISTRATION**

<b><u>Subdivision 1. Total Appropriation</u></b>	<b><u>\$20,498,000</u></b>	<b><u>\$20,535,000</u></b>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Government and Citizen Services</u>	<u>7,698,000</u>	<u>7,668,000</u>
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\$74,000 the first year and \$74,000 the second year are for the Council on Developmental Disabilities.

Nellie Stone Johnson bust or statue. \$30,000 is to place a bust or statue of Nellie Stone Johnson in the State Capitol Building. This appropriation is contingent on receipt of an equal nonstate match. The commissioner must follow the process in Minnesota Statutes, sections 138.67 to 138.70, in the acquisition and placement of the bust or statue. This appropriation is available until expended.

<u>Subd. 3. Administrative Management Support</u>	<u>1,823,000</u>	<u>1,890,000</u>
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<u>Subd. 4. Fiscal Agent</u>	<u>10,977,000</u>	<u>10,977,000</u>
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The appropriations under this section are to the commissioner of administration for the purposes specified.

#### In Lieu of Rent

\$8,158,000 the first year and \$8,158,000 the second year are for office space costs of the legislature and veterans organizations, ceremonial space, and statutorily free space.

#### Public Broadcasting

(a) \$1,685,000 the first year and \$1,685,000 the second year are for matching grants for public television.

(b) \$315,000 the first year and \$315,000 the second year are for public television equipment grants. Equipment or matching grant allocations shall be made after considering the recommendations of the Minnesota Public Television Association.

(c) \$392,000 the first year and \$392,000 the second year are for community service grants to public educational radio stations. This appropriation may be used to disseminate emergency information in foreign languages.

(d) \$117,000 the first year and \$117,000 the second year are for equipment grants to public educational radio stations. This appropriation may be used for the repair, rental, and purchase of equipment including equipment under \$500.

(e) The grants in paragraphs (c) and (d) must be allocated after considering the recommendations of the Association of Minnesota Public Educational Radio Stations under Minnesota Statutes, section 129D.14.

(f) \$310,000 the first year and \$310,000 the second year are for equipment grants to Minnesota Public Radio, Inc., including upgrades to Minnesota's Emergency Alert and AMBER Alert Systems.

(g) Any unencumbered balance remaining the first year for grants to public television or radio stations does not cancel and is available for the second year.

Sec. 12. <b>CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD</b>	<u>\$328,000</u>	<u>\$330,000</u>
Sec. 13. <b>MINNESOTA MANAGEMENT AND BUDGET</b>	<u>\$24,172,000</u>	<u>\$20,627,000</u>

**Statewide Budget System.** \$4,500,000 for the biennium is to continue development of the new statewide budget system and to develop new capabilities including, but not limited to, capital budget and fiscal notes.

#### Sec. 14. **REVENUE**

<b>Subdivision 1. Total Appropriation</b>	<u>\$141,701,000</u>	<u>\$142,203,000</u>
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##### Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>137,466,000</u>	<u>137,968,000</u>
<u>Health Care Access</u>	<u>1,749,000</u>	<u>1,749,000</u>
<u>Highway User Tax</u>		
<u>Distribution</u>	<u>2,183,000</u>	<u>2,183,000</u>
<u>Environmental</u>	<u>303,000</u>	<u>303,000</u>

<b>Subd. 2. Tax System Management</b>	<u>112,879,000</u>	<u>113,174,000</u>
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##### Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>108,644,000</u>	<u>108,939,000</u>
<u>Health Care Access</u>	<u>1,749,000</u>	<u>1,749,000</u>
<u>Highway User Tax</u>		
<u>Distribution</u>	<u>2,183,000</u>	<u>2,183,000</u>
<u>Environmental</u>	<u>303,000</u>	<u>303,000</u>

**County Technical Assistance Grants.** (a) The commissioner of revenue may make technical assistance grants to counties to fund development, implementation, or maintenance of data collection and data processing systems that will facilitate improved reporting of property tax data on parcels and portions of parcels to the commissioner for analytical and administrative use. The grants may be made in the order they are requested, or on some other basis determined by the commissioner. The commissioner shall determine whether to require an application or recipient agreement and shall determine the form and content of the application or agreement.

(b) \$300,000 is appropriated to the commissioner from the general fund in fiscal year 2014 to make grants to counties as provided in this section. This appropriation is available for fiscal years 2014 and 2015 only, and does not become part of the base.

**Appropriation; taxpayer assistance.** (a) \$200,000 in fiscal year 2014, and \$200,000 in fiscal year 2015, are appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. The unencumbered balance in the first year does not cancel but is available for the second year.

(b) For purposes of this section, "taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income, elderly, and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the Department of Revenue and Internal Revenue Service.

<u>Subd. 3. Debt Collection Management</u>	<u>28,822,000</u>	<u>29,029,000</u>
<u>Sec. 15. AMATEUR SPORTS COMMISSION</u>	<u>\$250,000</u>	<u>\$253,000</u>
<u>Sec. 16. COUNCIL ON BLACK MINNESOTANS</u>	<u>\$294,000</u>	<u>\$297,000</u>
<u>Sec. 17. COUNCIL ON ASIAN-PACIFIC MINNESOTANS</u>	<u>\$256,000</u>	<u>\$258,000</u>
<u>Sec. 18. COUNCIL ON AFFAIRS OF CHICANO/LATINO PEOPLE</u>	<u>\$277,000</u>	<u>\$280,000</u>
<u>Sec. 19. INDIAN AFFAIRS COUNCIL</u>	<u>\$466,000</u>	<u>\$469,000</u>
<u>Sec. 20. MINNESOTA HISTORICAL SOCIETY</u>		
<u>Subdivision 1. Total Appropriation</u>	<u>\$21,939,000</u>	<u>\$21,884,000</u>

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

<u>Subd. 2. Operations and Programs</u>	<u>21,533,000</u>	<u>21,662,000</u>
<u>Notwithstanding Minnesota Statutes, section 138.668, the Minnesota Historical Society may not charge a fee for its general tours at the Capitol, but may charge fees for special programs other than general tours.</u>		
<u>Subd. 3. Fiscal Agent</u>		
<u>(a) Minnesota International Center</u>	<u>39,000</u>	<u>39,000</u>

<u>(b) Minnesota Air National Guard Museum</u>	<u>14,000</u>	<u>-0-</u>
<u>(c) Minnesota Military Museum</u>	<u>170,000</u>	<u>-0-</u>
<u>(d) Farmamerica</u>	<u>115,000</u>	<u>115,000</u>
<u>(e) Hockey Hall of Fame</u>	<u>68,000</u>	<u>68,000</u>

**Balances Forward.** Any unencumbered balance remaining in this subdivision the first year does not cancel but is available for the second year of the biennium.

#### Sec. 21. BOARD OF THE ARTS

<u>Subdivision 1. Total Appropriation</u>	<u>\$7,508,000</u>	<u>\$7,510,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Operations and Services</u>	<u>569,000</u>	<u>571,000</u>
<u>Subd. 3. Grants Program</u>	<u>4,800,000</u>	<u>4,800,000</u>
<u>Subd. 4. Regional Arts Councils</u>	<u>2,139,000</u>	<u>2,139,000</u>

**Unencumbered balance available.** Any unencumbered balance remaining in this section the first year does not cancel, but is available for the second year of the biennium.

<u>Sec. 22. MINNESOTA HUMANITIES CENTER</u>	<u>\$251,000</u>	<u>\$251,000</u>
<u>Sec. 23. SCIENCE MUSEUM OF MINNESOTA</u>	<u>\$1,079,000</u>	<u>\$1,079,000</u>
<u>Sec. 24. GENERAL CONTINGENT ACCOUNTS</u>	<u>\$883,000</u>	<u>\$500,000</u>

#### Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>383,000</u>	<u>-0-</u>
<u>State Government Special</u>		
<u>Revenue</u>	<u>400,000</u>	<u>400,000</u>
<u>Workers' Compensation</u>	<u>100,000</u>	<u>100,000</u>

(a) The appropriations in this section may only be spent with the approval of the governor after consultation with the Legislative Advisory Commission pursuant to Minnesota Statutes, section 3.30.

(b) If an appropriation in this section for either year is insufficient, the appropriation for the other year is available for it.

(c) If a contingent account appropriation is made in one fiscal year, it should be considered a biennial appropriation.

Sec. 25. <b><u>TORT CLAIMS</u></b>	<b><u>\$161,000</u></b>	<b><u>\$161,000</u></b>
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These appropriations are to be spent by the commissioner of management and budget according to Minnesota Statutes, section 3.736, subdivision 7. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

Sec. 26. <b><u>MINNESOTA STATE RETIREMENT SYSTEM</u></b>		
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Subdivision 1. <b><u>Total Appropriation</u></b>	<b><u>\$3,891,000</u></b>	<b><u>\$3,964,000</u></b>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <b><u>Legislators</u></b>	<b><u>3,406,000</u></b>	<b><u>3,475,000</u></b>
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Under Minnesota Statutes, sections 3A.03, subdivision 2; 3A.04, subdivisions 3 and 4; and 3A.115.

Subd. 3. <b><u>Constitutional Officers</u></b>	<b><u>485,000</u></b>	<b><u>489,000</u></b>
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Under Minnesota Statutes, section 352C.001, if an appropriation in this section for either year is insufficient, the appropriation for the other year is available for it.

Sec. 27. <b><u>MINNEAPOLIS EMPLOYEES RETIREMENT FUND DIVISION ACCOUNT</u></b>	<b><u>\$24,000,000</u></b>	<b><u>\$24,000,000</u></b>
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These amounts are estimated to be needed under Minnesota Statutes, section 353.505.

Sec. 28. <b><u>TEACHERS RETIREMENT ASSOCIATION</u></b>	<b><u>\$15,454,000</u></b>	<b><u>\$15,454,000</u></b>
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The amounts estimated to be needed are as follows:

(a) **Special direct state aid.** \$12,954,000 the first year and \$12,954,000 the second year are for special direct state aid authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

(b) **Special direct state matching aid.** \$2,500,000 the first year and \$2,500,000 the second year are for special direct state matching aid authorized under Minnesota Statutes, section 354.435.

Sec. 29. <b><u>ST. PAUL TEACHERS RETIREMENT FUND</u></b>	<b><u>\$2,827,000</u></b>	<b><u>\$2,827,000</u></b>
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The amounts estimated to be needed for special direct state aid to first class city teachers retirement funds authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

Sec. 30. <b><u>DULUTH TEACHERS RETIREMENT FUND</u></b>	<b><u>\$346,000</u></b>	<b><u>\$346,000</u></b>
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The amounts estimated to be needed for special direct state aid to first class city teachers retirement funds authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

**Sec. 31. TELECOMMUNICATIONS ACCESS MINNESOTA FUND; APPROPRIATIONS.**

In addition to the appropriation authorized in Minnesota Statutes, section 237.52, the following amounts are appropriated from the telecommunications access Minnesota fund:

(1) \$290,000 each year is appropriated to the chief information officer for the purpose of coordinating technology accessibility and usability; and

(2) \$150,000 each year is appropriated to the Legislative Coordinating Commission for the purpose of providing captioning of legislative activity on the commission's Web site and for a consolidated access fund for other state agencies.

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

ARTICLE 2  
MILITARY AND VETERANS AFFAIRS

**Section 1. MILITARY AND VETERANS AFFAIRS APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015.

<b><u>APPROPRIATIONS</u></b>		
<b><u>Available for the Year</u></b>		
<b><u>Ending June 30</u></b>		
<b><u>2014</u></b>	<b><u>2015</u></b>	

**Sec. 2. MILITARY AFFAIRS**

Subdivision 1. <b><u>Total Appropriation</u></b>	<b><u>\$19,417,000</u></b>	<b><u>\$19,468,000</u></b>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <b><u>Maintenance of Training Facilities</u></b>	<b><u>6,710,000</u></b>	<b><u>6,761,000</u></b>
Subd. 3. <b><u>General Support</u></b>	<b><u>2,359,000</u></b>	<b><u>2,359,000</u></b>
Subd. 4. <b><u>Enlistment Incentives</u></b>	<b><u>10,348,000</u></b>	<b><u>10,348,000</u></b>

If appropriations for either year of the biennium are insufficient, the appropriation from the other year is available. The appropriations for enlistment incentives are available until expended.

**Sec. 3. VETERANS AFFAIRS**

<u>Subdivision 1. Total Appropriation</u>	<u>\$63,133,000</u>	<u>\$62,854,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Veterans Services</u>	<u>16,101,000</u>	<u>16,341,000</u>
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**Veterans in Crisis De-escalation Training.** Of this amount, up to \$100,000 each year of the biennium may be spent for training state and local community safety personnel in the use of crisis de-escalation techniques for use with Minnesota veterans following their return from active military service in a combat zone. The commissioner must consult with the director of the Minnesota Peace Officers and Training Board, and may consult with any other state or local governmental official or nongovernmental authority the commissioner determines to be relevant, when selecting a service provider for this training. Among any other criteria the commissioner may establish for the selection, the training provider must have a demonstrated understanding of the transitions and challenges that veterans may experience during their re-entry into society following combat service. The commissioner must ensure that training opportunities provided are reasonably distributed statewide.

**IT Upgrades.** \$618,000 in fiscal year 2014 and \$382,000 in fiscal year 2015 are to improve and modernize the department's information technology systems. These funds shall be transferred to the Office of Enterprise Technology. This is a onetime transfer and is available until spent.

**Veterans Cemetery in Fillmore County.** \$425,000 in fiscal year 2015 is for operation of the new veterans cemetery in Fillmore County. This amount is added to the program's base funding.

**Honor Guards.** \$200,000 each year is for compensation for honor guards at the funerals of veterans under Minnesota Statutes, section 197.231. This amount is added to the program's base funding.

**Minnesota GI Bill.** \$200,000 each year is for the costs of administering the Minnesota GI Bill on-the-job training and apprenticeship program under Minnesota Statutes, section 197.791.

**Gold Star Program.** \$100,000 each year is for administering the Gold Star Program for surviving family members of deceased veterans. This amount is added to the program's base funding.

**County Veterans Service Office.** \$1,100,000 each year is for funding the County Veterans Service Office grant program under Minnesota Statutes, section 197.608.

**Veterans Service Organizations.** \$353,000 each year is for grants to the following congressionally chartered veterans service organizations, as designated by the commissioner: Disabled American Veterans, Military Order of the Purple Heart, American Legion, Veterans of Foreign Wars, Vietnam Veterans of America, AMVETS, and Paralyzed Veterans of America. This funding must be allocated in direct proportion to the funding currently being provided by the commissioner to these organizations.

**Veterans Paramedic Apprenticeship Program.** All unspent funds, estimated to be \$110,000, from the Veterans Paramedic Apprenticeship Program, from the onetime appropriation under Laws 2009, chapter 79, article 13, section 7, are canceled to the general fund on July 1, 2013.

**Subd. 3. Veterans Homes**

47,032,000

46,513,000

**Veterans Homes Special Revenue Account.** The general fund appropriations made to the department may be transferred to a veterans homes special revenue account in the special revenue fund in the same manner as other receipts are deposited according to Minnesota Statutes, section 198.34, and are appropriated to the department for the operation of veterans homes facilities and programs.

**IT Upgrades.** \$2,047,000 in fiscal year 2014 and \$1,528,000 in fiscal year 2015 are to improve and modernize the department's information technology systems. These funds shall be transferred to the Office of Enterprise Technology. This is a onetime transfer and is available until spent.

**Maximize Federal Reimbursements.** The department will seek opportunities to maximize federal reimbursements of Medicare-eligible expenses and will provide annual reports to the commissioner of management and budget on the federal Medicare reimbursements received. Contingent upon future federal Medicare receipts, reductions to the homes' general fund appropriation may be made.

**ARTICLE 3**  
**MILITARY AND VETERANS AFFAIRS PROVISIONS**

Section 1. Minnesota Statutes 2012, section 192.26, is amended to read:

**192.26 STATE AND MUNICIPAL OFFICERS AND EMPLOYEES NOT TO LOSE PAY WHILE ON MILITARY DUTY.**

Subdivision 1. **Authorized leave.** Subject to the conditions hereinafter prescribed, any officer or employee of the state or of any political subdivision, municipal corporation, or other public agency of the state who shall be a member of the National Guard, or any other component of the militia of the state now or hereafter organized or constituted under state or federal law, or who shall be a member of the officers' reserve corps, the enlisted reserve corps, the Naval Reserve, the Marine Corps reserve, or any other reserve component of the military or naval forces

of the United States now or hereafter organized or constituted under federal law, shall be entitled to leave of absence from the public office or employment without loss of pay, seniority status, efficiency rating, vacation, sick leave, or other benefits for all the time when engaged with such organization or component in training or active service ordered or authorized by proper authority pursuant to law, whether for state or federal purposes, but not exceeding a total of 15 days in any calendar year. The state or political subdivision, municipal corporation, or other public agency shall allow the officer or employee to choose when during the calendar year to take the 15 days of paid military leave. The officer or employee may choose to use all of the 15 days of paid military leave at one time or, in the alternative, the 15 days of paid military leave may be divided and taken throughout the calendar year at the discretion of the officer or employee. Such leave shall be allowed only in case the required military or naval service is satisfactorily performed, which shall be presumed unless the contrary is established. Such leave shall not be allowed unless the officer or employee (1) returns to the public position immediately on being relieved from such military or naval service and not later than the expiration of the time herein limited for such leave, or (2) is prevented from so returning by physical or mental disability or other cause not due to the officer's or employee's own fault, or (3) is required by proper authority to continue in such military or naval service beyond the time herein limited for such leave.

Sec. 2. Minnesota Statutes 2012, section 197.608, subdivision 3, is amended to read:

**Subd. 3. Eligibility.** (a) To be eligible for a grant under this program subdivision 6, a county must employ a county veterans service officer as authorized by sections 197.60 and 197.606, who is certified to serve in this position by the commissioner.

(b) A county that employs a newly hired county veterans service officer who is serving an initial probationary period and who has not been certified by the commissioner is eligible to receive a grant under subdivision 2a 6 for one year from the date the county veterans service officer is appointed.

(c) Except for the situation described in paragraph (b), A county whose county veterans service officer does not receive certification during any year of the three year cycle is not eligible to receive a grant during the remainder of that cycle or the next three year cycle by the end of the first year of the county veterans service officer's appointment is ineligible for the grant under subdivision 6 until the county veterans service officer receives certification.

Sec. 3. Minnesota Statutes 2012, section 197.608, subdivision 4, is amended to read:

**Subd. 4. Grant process.** (a) The commissioner shall determine the process for awarding grants. A grant may be used only for the purpose of enhancing the operations of the County Veterans Service Office.

(b) The commissioner shall provide a list of qualifying uses for grant expenditures as developed in subdivision 5 and shall approve a grant under subdivision 6 only for a qualifying use and if there are sufficient funds remaining in the grant program to cover the full amount of the grant.

(c) The commissioner is authorized to use any unexpended funding for this program to provide training and education for county veterans service officers.

Sec. 4. Minnesota Statutes 2012, section 197.608, subdivision 5, is amended to read:

**Subd. 5. Qualifying uses.** The commissioner shall consult with the Minnesota Association of County Veterans Service Officers in developing a list of qualifying uses for grants awarded under this program subdivision 6.

The commissioner is authorized to use any unexpended funding for this program to provide training and education for county veterans service officers.

Sec. 5. Minnesota Statutes 2012, section 197.608, subdivision 6, is amended to read:

**Subd. 6. Grant amount.** (a) Each county is eligible to receive an annual grant of \$7,500 for the following purposes:

(1) to provide outreach to the county's veterans;

(2) to assist in the reintegration of combat veterans into society;

(3) to collaborate with other social service agencies, educational institutions, and other community organizations for the purposes of enhancing services offered to veterans;

(4) to reduce homelessness among veterans; and

(5) to enhance the operations of the county veterans service office.

(b) In addition to the grant amount in paragraph (a), each county is eligible to receive an additional annual grant under this paragraph. The amount of each additional annual grant must be determined by the commissioner and may not exceed:

(1) \$1,400 \$0, if the county's veteran population is less than 1,000;

(2) \$2,800 \$2,500, if the county's veteran population is 1,000 or more but less than 3,000;

(3) \$4,200 \$5,000, if the county's veteran population is 3,000 or more but less than 10,000 than 4,999; or

(4) \$5,600 \$7,500, if the county's veteran population is 10,000 5,000 or more- but less than 9,999;

(5) \$10,000, if the county's veteran population is 10,000 or more but less than 19,999;

(6) \$15,000, if the county's veteran population is 20,000 or more but less than 29,999; or

(7) \$20,000, if the county's veteran population is 30,000 or more.

(c) The Minnesota Association of County Veterans Service Officers is eligible to receive an annual grant of \$50,000. The grant shall be used for administrative costs of the association, certification of mandated county veterans service officer training and accreditation, and costs associated with reintegration services.

The veteran population of each county shall be determined by the figure supplied by the United States Department of Veterans Affairs, as adopted by the commissioner.

Sec. 6. Minnesota Statutes 2012, section 197.791, subdivision 4, is amended to read:

**Subd. 4. Eligibility.** (a) A person is eligible for educational assistance under this section if:

(1) the person is:

(i) a veteran who is serving or has served honorably in any branch or unit of the United States armed forces at any time on or after September 11, 2001;

(ii) a nonveteran who has served honorably for a total of five years or more cumulatively as a member of the Minnesota National Guard or any other active or reserve component of the United States armed forces, and any part of that service occurred on or after September 11, 2001;

(iii) the surviving spouse or child of a person who has served in the military ~~at any time on or after September 11, 2001~~, and who has died as a direct result of that military service, only if the surviving spouse or child is eligible to receive federal education benefits under United States Code, title 38, chapter 33, as amended, or United States Code, title 38, chapter 35, as amended; or

(iv) the spouse or child of a person who has served in the military at any time ~~on or after September 11, 2001~~, and who has a total and permanent service-connected disability as rated by the United States Veterans Administration, only if the spouse or child is eligible to receive federal education benefits under United States Code, title 38, chapter 33, as amended, or United States Code, title 38, chapter 35, as amended; and

(2) the person receiving the educational assistance is a Minnesota resident, as defined in section 136A.101, subdivision 8; and

(3) the person receiving the educational assistance:

(i) is an undergraduate or graduate student at an eligible institution;

(ii) is maintaining satisfactory academic progress as defined by the institution for students participating in federal Title IV programs;

(iii) is enrolled in an education program leading to a certificate, diploma, or degree at an eligible institution;

(iv) has applied for educational assistance under this section prior to the end of the academic term for which the assistance is being requested;

(v) is in compliance with child support payment requirements under section 136A.121, subdivision 2, clause (5); and

(vi) has completed the Free Application for Federal Student Aid (FAFSA).

(b) A person's eligibility terminates when the person becomes eligible for benefits under section 135A.52.

(c) To determine eligibility, the commissioner may require official documentation, including the person's federal form DD-214 or other official military discharge papers; correspondence from the United States Veterans Administration; birth certificate; marriage certificate; proof of enrollment at an eligible institution; signed affidavits; proof of residency; proof of identity; or any other official documentation the commissioner considers necessary to determine eligibility.

(d) The commissioner may deny eligibility or terminate benefits under this section to any person who has not provided sufficient documentation to determine eligibility for the program. An applicant may appeal the commissioner's eligibility determination or termination of benefits in writing to the commissioner at any time. The commissioner must rule on any application or appeal within 30 days of receipt of all documentation that the commissioner requires. The decision of the commissioner regarding an appeal is final. However, an applicant whose appeal of an eligibility determination has been rejected by the commissioner may submit an additional appeal of that determination in writing to the commissioner at any time that the applicant is able to provide substantively significant additional information regarding the applicant's eligibility for the program. An approval of an applicant's eligibility by the commissioner following an appeal by the applicant is not retroactively effective for more than one year or the semester of the person's original application, whichever is later.

(e) Upon receiving an application with insufficient documentation to determine eligibility, the commissioner must notify the applicant within 30 days of receipt of the application that the application is being suspended pending receipt by the commissioner of sufficient documentation from the applicant to determine eligibility.

Sec. 7. Minnesota Statutes 2012, section 197.791, subdivision 5, is amended to read:

**Subd. 5. Benefit amount.** (a) On approval by the commissioner of eligibility for the program, the applicant shall be awarded, on a funds-available basis, the educational assistance under the program for use at any time according to program rules at any eligible institution.

(b) The amount of educational assistance in any semester or term for an eligible person must be determined by subtracting from the eligible person's cost of attendance the amount the person received or was eligible to receive in that semester or term from:

(1) the federal Pell Grant;

(2) the state grant program under section 136A.121; and

(3) any federal military or veterans educational benefits including but not limited to the Montgomery GI Bill, GI Bill Kicker, the federal tuition assistance program, vocational rehabilitation benefits, and any other federal benefits associated with the person's status as a veteran, except veterans disability payments from the United States Veterans Administration and payments made under the Veterans Retraining Assistance Program (VRAP).

(c) The amount of educational assistance for any eligible person who is a full-time student must not exceed the following:

(1) \$1,000 per semester or term of enrollment;

(2) \$3,000 per state fiscal year; and

(3) \$10,000 in a lifetime.

For a part-time student, the amount of educational assistance must not exceed \$500 per semester or term of enrollment. For the purpose of this paragraph, a part-time undergraduate student is a student taking fewer than 12 credits or the equivalent for a semester or term of enrollment and a part-time graduate student is a student considered part time by the eligible institution the graduate student is attending. The minimum award for undergraduate and graduate students is \$50 per term.

Sec. 8. Minnesota Statutes 2012, section 364.03, subdivision 3, is amended to read:

**Subd. 3. Evidence of rehabilitation.** (a) A person who has been convicted of a crime or crimes which directly relate to the public employment sought or to the occupation for which a license is sought shall not be disqualified from the employment or occupation if the person can show competent evidence of sufficient rehabilitation and present fitness to perform the duties of the public employment sought or the occupation for which the license is sought. Sufficient Competent evidence of sufficient rehabilitation may be established by the production of the person's most recent certified copy of a United States Department of Defense form DD-214 showing the person's honorable discharge, or separation under honorable conditions, from the United States armed forces for military service rendered following conviction for any crime that would otherwise disqualify the person from the public employment sought or the occupation for which the license is sought, or:

(1) a copy of the local, state, or federal release order; and

(2) evidence showing that at least one year has elapsed since release from any local, state, or federal correctional institution without subsequent conviction of a crime; and evidence showing compliance with all terms and conditions of probation or parole; or

(3) a copy of the relevant Department of Corrections discharge order or other documents showing completion of probation or parole supervision.

(b) In addition to the documentary evidence presented, the licensing or hiring authority shall consider any evidence presented by the applicant regarding:

(1) the nature and seriousness of the crime or crimes for which convicted;

(2) all circumstances relative to the crime or crimes, including mitigating circumstances or social conditions surrounding the commission of the crime or crimes;

(3) the age of the person at the time the crime or crimes were committed;

(4) the length of time elapsed since the crime or crimes were committed; and

(5) all other competent evidence of rehabilitation and present fitness presented, including, but not limited to, letters of reference by persons who have been in contact with the applicant since the applicant's release from any local, state, or federal correctional institution.

(c) The certified copy of a person's United States Department of Defense form DD-214 showing the person's honorable discharge or separation under honorable conditions from the United States armed forces ceases to qualify as competent evidence of sufficient rehabilitation for purposes of this section upon the person's conviction for any gross misdemeanor or felony committed by the person subsequent to the effective date of that honorable discharge or separation from military service.

Sec. 9. **[471.3457] VETERAN-OWNED SMALL BUSINESS CONTRACTS.**

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

(1) "local government" means a town or home rule charter or statutory city; and

(2) "governing body" means the town board of supervisors or city council.

Subd. 2. Authority. The governing body of a local government may implement a program within its jurisdiction to provide a bid preference in awarding contracts as defined in section 471.345, and in awarding contracts for services, to designated veteran-owned small businesses, as provided in section 375.771.

Sec. 10. Minnesota Statutes 2012, section 626.8517, is amended to read:

**626.8517 ELIGIBILITY FOR RECIPROCITY EXAMINATION BASED ON RELEVANT MILITARY EXPERIENCE.**

(a) For purposes of this section:

(1) "active service" has the meaning given in section 190.05, subdivision 5; and

(2) "relevant military experience" means:

(i) five years' active service experience in a military law enforcement occupational specialty;

(ii) three years' active service experience in a military law enforcement occupational specialty, and completion of a two-year or more degree from a regionally accredited postsecondary education institution; or

(iii) five years' cumulative experience as a full-time peace officer in another state combined with active service experience in a military law enforcement occupational specialty.

(b) A person ~~who has relevant military experience and who is eligible to take the reciprocity examination if the person has relevant military experience and:~~

~~(1) has been honorably discharged from military active service as evidenced by a the most recent form DD-214 is eligible to take the reciprocity examination; or~~

(2) is currently in active service as evidenced by:

(i) active duty orders providing service time in military police specialty;

(ii) a United States Department of Defense Manpower Data Center status report pursuant to Service Members Civil Relief Act, active duty status report; or

(iii) Military Personnel Center assignment information.

(c) A person who passed the examination under paragraph (b), clause (2), shall not be eligible to be licensed as a peace officer until honorably discharged as evidenced by the most recent form DD-214.

**Sec. 11. REPEALER.**

Minnesota Statutes 2012, section 197.608, subdivision 2a, is repealed.

**ARTICLE 4  
STATE GOVERNMENT OPERATIONS**

Section 1. Minnesota Statutes 2012, section 3.30, subdivision 2, is amended to read:

**Subd. 2. Members; duties.** (a) The majority leader of the senate or a designee, the chair of the senate Committee on Finance, and the chair of the senate Division of Finance responsible for overseeing the items being considered by the commission, the speaker of the house or a designee, the chair of the house of representatives Committee on Ways and Means, and the chair of the appropriate finance committee, or division of the house of representatives committee responsible for overseeing the items being considered by the commissioner, constitute the Legislative Advisory Commission. The division chair of the Finance Committee in the senate and the division chair of the appropriate finance committee or division in the house of representatives shall rotate according to the items being considered by the commission. If any of the members elect not to serve on the commission, the house of which they are members, if in session, shall select some other member for the vacancy. If the legislature is not in session, vacancies in the house of representatives membership of the commission shall be filled by the last speaker of the house or, if the speaker is not available, by the last chair of the house of representatives Rules Committee, and by the last senate Committee on Committees or other appointing authority designated by the senate rules in case of a senate vacancy. The commissioner of management and budget shall be secretary of the commission and keep a permanent record and minutes of its proceedings, which are public records. The commissioner of management and budget shall transmit, under section 3.195, a report to the next legislature of all actions of the commission. Members shall receive traveling and subsistence expenses incurred attending meetings of the commission. The commission shall meet from time to time upon the call of the governor or upon the call of the secretary at the request of two or more of its members. 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.

(b) The chair alternates between a member of the senate and a member of the house of representatives in January of each odd-numbered year.

Sec. 2. Minnesota Statutes 2012, section 3.303, is amended by adding a subdivision to read:

Subd. 11. **Acceptance of grants and gifts.** The commission may accept gifts and grants for purposes related to the duties of the commission. Money received by the commission from gifts and grants is appropriated to the commission for purposes specified in the gift or grant.

Sec. 3. Minnesota Statutes 2012, section 3.85, subdivision 8, is amended to read:

Subd. 8. **Expenses, reimbursement.** The members of the commission and its ~~assistants~~ staff shall be reimbursed for all expenses actually and necessarily incurred in the performance of their duties. Reimbursement for expenses incurred shall be made under the rules governing state employees in accordance with policies adopted by the Legislative Coordinating Commission.

Sec. 4. Minnesota Statutes 2012, section 3.85, subdivision 9, is amended to read:

Subd. 9. **Expenses and reports.** Expenses of the commission shall be approved by the chair or another member as the rules of the commission provide. The expenses shall then be paid like other state expenses. A general summary or statement of expenses incurred by the commission and paid shall be made to the legislature by November 15 of each even numbered year.

Sec. 5. Minnesota Statutes 2012, section 3.971, subdivision 6, is amended to read:

Subd. 6. **Financial audits.** The legislative auditor shall audit the financial statements of the state of Minnesota required by section 16A.50 and, as resources permit, shall audit Minnesota State Colleges and Universities, the University of Minnesota, state agencies, departments, boards, commissions, offices, courts, and other state organizations subject to audit by the legislative auditor, including, but not limited to, the State Agricultural Society, Agricultural Utilization Research Institute, Enterprise Minnesota, Inc., Minnesota Historical Society, Labor Interpretive Center, Minnesota Partnership for Action Against Tobacco, Metropolitan Sports Facilities Commission ClearWay Minnesota, Minnesota Sports Facilities Authority, Metropolitan Airports Commission, and Metropolitan Mosquito Control District. Financial audits must be conducted according to generally accepted government auditing standards. The legislative auditor shall see that all provisions of law respecting the appropriate and economic use of public funds and other public resources are complied with and may, as part of a financial audit or separately, investigate allegations of noncompliance.

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

Sec. 6. Minnesota Statutes 2012, section 3.971, is amended by adding a subdivision to read:

Subd. 6a. **Data security audits.** The legislative auditor shall audit, as resources permit, information and data systems supported with public funds and operated by an organization listed in subdivision 6. The audits shall include an assessment of controls designed to protect government data, particularly government data classified as not public by chapter 13, from unauthorized access and use. The audits shall also include an assessment of organizations' compliance with other applicable legal requirements related to the operation of information and data systems and proper classification and protection of the data contained in the systems.

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

Sec. 7. Minnesota Statutes 2012, section 3.971, is amended by adding a subdivision to read:

Subd. 9. **Obligation to notify the legislative auditor.** The chief executive, financial, or information officers of an organization subject to audit under this section, must promptly notify the legislative auditor when the officer obtains information indicating that public money or other public resources may have been used for an unlawful

purpose, or when the officer obtains information indicating that government data classified by chapter 13 as not public may have been accessed or used unlawfully. As necessary, the legislative auditor shall coordinate an investigation of the allegation with appropriate law enforcement officials.

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

**Sec. 8. [5.38] AUTHORITY TO ACCEPT FUNDS.**

The secretary of state may enter into agreements with a local governmental unit to provide a technological service or project to enhance the state's election system. The secretary of state and the local governmental unit shall agree to the amount of consideration to be paid under the agreement. In addition, the secretary of state may accept federal funds for election purposes. If the secretary of state accepts federal funds and the terms of the grant do not require the state to maintain its effort, section 3.3005 does not apply. If the secretary of state accepts federal funds and the terms of the grant do require the state to maintain its effort, section 3.3005 applies. The funds accepted under this section must be deposited in accounts in the special revenue fund and are appropriated to the secretary of state for the uses authorized by this section. The secretary of state shall report by January 15 each year to the chair and ranking minority members of the finance committees of the house of representatives and the senate with jurisdiction over the secretary of state the total amounts received in the preceding calendar year, the sources of those funds, and the uses to which those funds were or will be put. For purposes of this section, "local governmental unit" means a county, home rule charter or statutory city, town, or school district.

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

**Sec. 9. [5B.12] AUTHORITY TO ACCEPT FUNDS.**

Notwithstanding sections 16A.013 to 16A.016, the secretary of state may accept funds contributed by individuals and may apply for grants from charitable foundations, to be used for the address confidentiality program established in section 5B.03. In addition, the secretary of state may apply for grants from the federal government for purposes of the address confidentiality program. If the secretary of state accepts federal funds and the terms of the grant do not require the state to maintain its effort, section 3.3005 does not apply. If the secretary of state accepts federal funds and the terms of the grant do require the state to maintain its effort, section 3.3005 applies. The funds accepted under this section must be deposited in accounts in the special revenue fund and are appropriated to the secretary of state for use in the address confidentiality program. The secretary of state shall report by January 15 each year to the chair and ranking minority members of the finance committees of the house of representatives and the senate with jurisdiction over the secretary of state the total amounts received in the preceding calendar year, the sources of those funds, and the uses to which those funds were or will be put. Any contributions from program participants must be aggregated, and the names of program participants must not be reported.

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

**Sec. 10. [6.475] CITY AND TOWN ACCOUNTING SYSTEM SOFTWARE.**

(a) The state auditor in consultation with the Minnesota Association of Townships, the League of Minnesota Cities, and the Minnesota Association of Small Cities, may charge a onetime user fee to cities, towns, and other government entities for the development, maintenance, and distribution of the small city and town accounting system software.

(b) A city and town accounting systems (CTAS) account is established in the special revenue fund.

(c) Amounts received under paragraph (a) shall be credited to the CTAS account in the special revenue fund and are appropriated to the state auditor for all costs associated with the development, maintenance, and distribution of the small city and town accounting system software. If at any time the small city and town accounting system

software ceases to be offered by the state auditor, any amount remaining in the CTAS account shall be equitably refunded to users in consultation with the Minnesota Association of Townships, the League of Minnesota Cities, and the Minnesota Association of Small Cities, and the account shall be closed.

Sec. 11. Minnesota Statutes 2012, section 6.48, is amended to read:

**6.48 EXAMINATION OF COUNTIES; COST, FEES.**

All the powers and duties conferred and imposed upon the state auditor shall be exercised and performed by the state auditor in respect to the offices, institutions, public property, and improvements of several counties of the state. At least once in each year, if funds and personnel permit, the state auditor may visit, without previous notice, each county and make a thorough examination of all accounts and records relating to the receipt and disbursement of the public funds and the custody of the public funds and other property. If the audit is performed by a private certified public accountant, the state auditor may require additional information from the private certified public accountant as the state auditor deems in the public interest. The state auditor may accept the audit or make additional examinations as the state auditor deems to be in the public interest. The state auditor shall prescribe and install systems of accounts and financial reports that shall be uniform, so far as practicable, for the same class of offices. A copy of the report of such examination shall be filed and be subject to public inspection in the office of the state auditor and another copy in the office of the auditor of the county thus examined. The state auditor may accept the records and audit, or any part thereof, of the Department of Human Services in lieu of examination of the county social welfare funds, if such audit has been made within any period covered by the state auditor's audit of the other records of the county. If any such examination shall disclose malfeasance, misfeasance, or nonfeasance in any office of such county, such report shall be filed with the county attorney of the county, and the county attorney shall institute such civil and criminal proceedings as the law and the protection of the public interests shall require.

The county receiving any examination shall pay to the ~~state general fund, notwithstanding the provisions of section 16A.125, state auditor enterprise fund~~ the total cost and expenses of such examinations, including the salaries paid to the examiners while actually engaged in making such examination. The state auditor on deeming it advisable may bill counties, ~~having a population of 200,000 or over, monthly periodically~~ for services rendered and the officials responsible for approving and paying claims shall cause said bill to be promptly paid. The ~~general state auditor enterprise fund~~ shall be credited with all collections made for any such examinations.

Sec. 12. Minnesota Statutes 2012, section 6.56, subdivision 2, is amended to read:

Subd. 2. **Billings by state auditor.** Upon the examination of the books, records, accounts, and affairs of any political subdivision, as provided by law, such political subdivision shall be liable to the state for the total cost and expenses of such examination, including the salaries paid to the examiners while actually engaged in making such examination. The state auditor may bill such political subdivision ~~monthly periodically~~ for service rendered and the officials responsible for approving and paying claims are authorized to pay said bill promptly. Said payments shall be without prejudice to any defense against said claims that may exist or be asserted. The ~~general state auditor enterprise fund~~ shall be credited with all collections made for any such examinations, including interest payments made pursuant to subdivision 3.

**Sec. 13. [6.581] STATE AUDITOR ENTERPRISE FUND.**

Subdivision 1. State auditor enterprise fund. A state auditor enterprise fund is established in the state treasury. All amounts received for the costs and expenses of examinations performed under this chapter shall be credited to the fund. Amounts credited to the fund are annually appropriated to the state auditor to pay the costs and expenses related to the examinations performed, including, but not limited to, salaries, office overhead, equipment, authorized contracts, and other expenses.

**Subd. 2. Contract with private parties; equipment acquisition.** When full-time personnel are not available, the state auditor may contract with a private entity for accounting and other technical services. Notwithstanding any law to the contrary, the acquisition of equipment may include duplicating equipment to be used in producing the reports issued by the Office of the State Auditor.

**Subd. 3. Schedule of charges.** The state auditor may adjust the schedule of charges for the examinations performed so that the charges are sufficient to cover all costs of the examinations performed and that the aggregate charges collected are sufficient to pay all salaries and other expenses, including the charges for the use of the equipment used in connection with the reimbursable examinations performed, and the cost of contracting for accounting and other technical services. The schedule of charges shall be based on an estimate of the cost of performing reimbursable examinations including, but not limited to, salaries, office overhead, equipment, authorized contracts, and other expenses. The state auditor may allocate a proportionate part of the total costs to an hourly or daily charge for each person or class of persons engaged in the performance of an examination. The schedule of charges shall reflect an equitable charge for the expenses incurred in the performance of any given examination. The state auditor shall review and adjust the schedule of charges for the examinations performed at least annually. All schedules of charges must be approved by the commissioner of management and budget before the charges are adopted to ensure that the amount collected is sufficient to pay all the costs connected with the examinations performed during the fiscal year.

**Subd. 4. Reports to legislature.** At least 30 days before implementing increased charges for examinations, the state auditor must report the proposed increases to the chairs and ranking minority members of the committees in the house of representatives and the senate with jurisdiction over the budget of the state auditor. By January 15 of each odd-numbered year, the state auditor must report to these chairs and ranking minority members a summary of anticipated expenditures from the state auditor enterprise fund and rates charged to support the fund for the biennium ending June 30 of that year, and an estimate of expenditures from the fund and rates to be charged for the biennium beginning July 1 of that year. The summary must separately report amounts for salaries, office overhead, equipment, authorized contracts, and other expenses.

Sec. 14. Minnesota Statutes 2012, section 15A.082, subdivision 1, is amended to read:

**Subdivision 1. Creation.** A Compensation Council is created each even-numbered odd-numbered year to assist the legislature in establishing the compensation of constitutional officers, members of the legislature, justices of the Supreme Court, judges of the Court of Appeals and district court, and the heads of state and metropolitan agencies included in section 15A.0815.

Sec. 15. Minnesota Statutes 2012, section 15A.082, subdivision 2, is amended to read:

**Subd. 2. Membership.** The Compensation Council consists of 16 members: two members of the house of representatives, appointed by the speaker of the house; two members of the senate, appointed by the majority leader of the senate; one member of the house of representatives, appointed by the minority leader of the house of representatives; one member of the senate, appointed by the minority leader of the senate; two nonjudges appointed by the chief justice of the Supreme Court; and one member from each congressional district appointed by the governor, of whom no more than four may belong to the same political party. Appointments must be made by October 1 after the first Monday in January and before January 15. The compensation and removal of members appointed by the governor or the chief justice shall be as provided in section 15.059, subdivisions 3 and 4. The Legislative Coordinating Commission shall provide the council with administrative and support services.

Sec. 16. Minnesota Statutes 2012, section 15A.082, subdivision 3, is amended to read:

**Subd. 3. Submission of recommendations.** (a) By May 1 March 15 in each odd-numbered year, the Compensation Council shall submit to the speaker of the house and the president of the senate salary recommendations for constitutional officers, legislators, justices of the Supreme Court, and judges of the Court of

Appeals and district court. The recommended salary for each office must take effect on the first Monday in January of the next odd-numbered year, with no more than one adjustment, to take effect on January 1 of the year after that. The salary recommendations for legislators, judges, and constitutional officers take effect if an appropriation of money to pay the recommended salaries is enacted after the recommendations are submitted and before their effective date. Recommendations may be expressly modified or rejected. The salary recommendations for legislators are subject to additional terms that may be adopted according to section 3.099, subdivisions 1 and 3.

(b) The council shall also submit to the speaker of the house and the president of the senate recommendations for the salary ranges of the heads of state and metropolitan agencies, to be effective retroactively from January 1 of that year if enacted into law. The recommendations shall include the appropriate group in section 15A.0815 to which each agency head should be assigned and the appropriate limitation on the maximum range of the salaries of the agency heads in each group, expressed as a percentage of the salary of the governor.

Sec. 17. Minnesota Statutes 2012, section 16A.10, subdivision 1c, is amended to read:

Subd. 1c. **Performance measures for change items.** For each change item in the budget proposal requesting new or increased funding, the budget document must present proposed performance measures that can be used to determine if the new or increased funding is accomplishing its goals. To the extent possible, each budget change item must identify relevant ~~Minnesota Milestones and other statewide goals and indicators related to the proposed initiative. The commissioner must report to the Subcommittee on Government Accountability established under section 3.885, subdivision 10, regarding the format to be used for the presentation and selection of Minnesota Milestones and other statewide goals and indicators.~~

Sec. 18. **[16A.117] CONTINUING APPROPRIATIONS.**

Subdivision 1. **Appropriations continue for one year.** If a major appropriation bill is not enacted before July 1 of an odd-numbered year, the existing appropriation amounts pertaining to that bill for the fiscal year ending that June 30 are in effect again at the base level through the fiscal year beginning July 1 of that odd-numbered year. The base level is the amount appropriated for the fiscal year ending that June 30, except as otherwise provided by subdivision 2 or by other law. The amounts needed to implement this section are appropriated from each fund covered by this section.

Subd. 2. **Exceptions and adjustments.** (a) An appropriation remaining in effect under authority of subdivision 1 must be adjusted or discontinued as required by other law and according to paragraphs (b) to (e).

(b) In order to meet the fiscal obligations required under current law, the commissioner must adjust the appropriation for each forecasted program according to the forecast adjusted base spending level estimated by the commissioner in the preceding February forecast.

(c) An appropriation for the fiscal year ending June 30 of the odd-numbered year does not remain in effect for the fiscal year starting on July 1 if the legislature specifically designated the appropriation as a onetime appropriation, if the commissioner of management and budget determines that the legislature clearly intended the appropriation to be onetime, or if the program for which the appropriation was made expires on or before July 1.

(d) If an appropriation remains in effect under authority of subdivision 1, but the program or activity that is the subject of the appropriation is scheduled to expire during a fiscal year, the commissioner of management and budget must prorate the appropriation consistent with the expiration date.

(e) The commissioner of management and budget may make technical adjustments to the amount of an appropriation to the extent the commissioner determines the technical adjustments are needed to accurately reflect the amount that constitutes the annual base level of the appropriation. The commissioner may make an adjustment under this paragraph only if one or more of the following conditions is met:

(1) the legislature previously appropriated money for a biennium, with the entire appropriation being allocated to one year of the biennium, and the commissioner determines an adjustment is necessary to accurately reflect the annual amount needed to maintain program operations at the same level;

(2) laws or policies under which revenues and expenditures are accounted for have changed to eliminate or consolidate certain funds or accounts or to create new funds or accounts, and adjustments in appropriations are necessary to implement these changes;

(3) duties have been transferred between agency programs, or between agencies, and adjustments in appropriations are necessary to reflect these transfers; or

(4) a program, or changes to a program, were not fully operational in one fiscal year, but will be fully operational in the following year, and an adjustment to the appropriation is needed to accurately reflect the annual cost of the new or changed program.

The commissioner of management and budget must give the chairs and lead minority caucus members of the senate finance and house ways and means committees written notice of any adjustments made under this subdivision.

Subd. 3. **Statutory appropriations.** All statutory appropriations from the general fund or another fund in the state treasury continue as required under current law and are not limited by subdivision 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

**Sec. 19. [16A.503] FEDERAL CONTINGENCY PLANNING.**

Each executive branch state agency that receives federal funds must notify the budget committees of the legislature with jurisdiction over the agency by October 1 of each even-numbered year if the agency believes there is potential for a significant reduction in the amount of federal funds the agency will receive in the biennium beginning the following July 1. Each notice must include:

(1) the reasons for the potential reduction in federal funds, and the likelihood the reduction will occur;

(2) the impact to the agency's operations and to other state and local government services related to the potential reduction in federal funds; and

(3) any steps the agency is taking to adjust to and minimize the impact of a potential loss of federal funds.

Sec. 20. Minnesota Statutes 2012, section 16A.82, is amended to read:

**16A.82 TECHNOLOGY LEASE-PURCHASE APPROPRIATION.**

The following amounts are appropriated from the general fund to the commissioner to make payments under a lease-purchase agreement as defined in section 16A.81 for replacement of the state's accounting and procurement systems, provided that the state is not obligated to continue such appropriation of funds or to make lease payments in any future fiscal year.

Fiscal year 2010	\$2,828,038
Fiscal year 2011	\$3,063,950
Fiscal year 2012	\$8,967,850
Fiscal year 2013	\$8,968,950
Fiscal year 2014	\$8,970,850

Fiscal year 2015	\$8,971,150
Fiscal year 2016	\$8,966,450
Fiscal year 2017	\$8,967,500
Fiscal year 2018	\$8,970,750
Fiscal year 2019	\$8,968,500

Of these appropriations, up to \$2,000 per year may be used to pay the annual trustee fees for the lease-purchase agreements authorized in this section ~~and section 270C.145~~. Any unexpended portions of this appropriation cancel to the general fund at the close of each biennium. This section expires June 30, 2019.

#### Sec. 21. **[16E.0466] STATE AGENCY TECHNOLOGY PROJECTS.**

Every state agency with an information or telecommunications project must consult with the Office of Enterprise Technology to determine what the IT cost of the project is, and transfer the IT cost portion to the Office of Enterprise Technology, unless the commissioner of the Office of Enterprise Technology determines that a transfer is not required. A transfer is not required under this section to the extent the transfer is prohibited by federal law or would cause a loss of federal funds. Agencies specified in section 16E.016, paragraph (d), are exempt from the requirements of this section.

Sec. 22. Minnesota Statutes 2012, section 32C.04, is amended to read:

#### **32C.04 ACCOUNTS; AUDITS.**

The authority may establish funds and accounts that it determines to be reasonable and necessary to conduct the business of the authority. The board shall ~~provide for and pay the cost of an independent annual audit of its official books and records be subject to audit by the state legislative auditor~~. A copy of ~~this~~ an audit must be filed with the secretary of state.

Sec. 23. Minnesota Statutes 2012, section 129D.14, subdivision 2, is amended to read:

Subd. 2. **Definitions.** As used in this section, the terms defined in this subdivision have the meanings given them.

(a) "Corporation for Public Broadcasting" or "CPB" means the nonprofit organization established pursuant to United States Code, title 47, section 396.

(b) "Federal Communications Commission" or "FCC" means the federal agency established pursuant to United States Code, title 47, section 151.

(c) "Licensee" means ~~the individual or business~~ an entity to ~~whom~~ which the Federal Communications Commission has issued ~~the~~ a license to operate a noncommercial radio station as defined in Code of Federal Regulations, title 47, subpart D, section 73.503.

(d) "Noncommercial radio station" means a station operated by a licensee of the FCC as a noncommercial educational radio station ~~under a license or program test authority from the Federal Communications Commission as a noncommercial educational radio station~~ as defined in Code of Federal Regulations, title 47, subpart D, section 73.503, licensed to a community within the state and serving a segment of the population of the state.

(e) "Operating income" may include:

(1) individual and other community contributions;

(2) all grants received from the Corporation for Public Broadcasting;

(3) grants received from foundations, corporations, or federal, state, or local agencies or other sources for the purpose of programming or general operating support;

(4) interest income;

(5) earned income;

(6) employee salaries paid through the federal Comprehensive Employment and Training Act, or other similar public employment programs, provided that only salary expended for employee duties directly relating to radio station operations shall be counted;

(7) employee salaries paid through supporting educational institutions, provided that only salary expended for employee duties directly relating to radio station operations shall be counted;

(8) direct operating costs provided by supporting educational institutions; and

(9) no more than \$15,000 in volunteer time calculated at the federal minimum wage.

The following are specifically excluded in determining a station's operating income:

(1) dollar representations in in-kind assistance from any source except as stipulated in clauses (8) and (9) above;

(2) grants or contributions from any source for the purpose of purchasing capital improvements or equipment; and

(3) noncommercial radio station grants received in the previous fiscal year pursuant to this section.

(f) "Local" means the area designated by the FCC's 60 dBu contour map.

Sec. 24. Minnesota Statutes 2012, section 129D.14, subdivision 3, is amended to read:

Subd. 3. **Eligibility.** (a) To qualify for a grant under this section, the licensee shall must:

(a) (1) hold a valid noncommercial ~~educational~~ radio station license or ~~program test authority~~ from the ~~Federal Communications Commission; FCC that is a Class "A" or "C" FM, as defined in Code of Federal Regulations, title 47, subpart B, sections 73.210 and 73.211 or Class "C" or "D" AM, as defined in Code of Federal Regulations, title 47, subpart A, section 73.21.~~ Stations with a Class "L1" and "LP100" are not eligible for this funding. The station must be licensed to a community in the state of Minnesota and must be operated as a noncommercial educational station.

(b) (2) have facilities adequate to provide local program production and origination;

(c) (3) employ a minimum of two full-time professional radio staff persons or the equivalent in part-time staff and agree to employ a minimum of two full-time professional radio staff persons or the equivalent in part-time staff throughout the fiscal year of the grant;

(d) (4) maintain a minimum daily broadcasting schedule of (1) the maximum allowed by its Federal Communications Commission license or (2) 12 hours a day during the first year of eligibility for state assistance, 15 hours a day during the second year of eligibility and 18 hours a day during the third and following years of eligibility;

(e) (5) broadcast 365 days a year or the maximum number of days allowed by its Federal Communications Commission license with an exception for power outages and natural disasters;

~~(f) (6)~~ have a daily broadcast schedule devoted primarily to programming that serves ascertained community needs of an educational, informational or cultural nature within its primary signal area; however, a program schedule of a main channel carrier designed to further the principles of one or more particular religious philosophies or including 25 percent or more religious programming on a broadcast day does not meet this criterion, nor does a program schedule of a main channel carrier designed primarily for in-school or professional in-service audiences;

~~(g) (7)~~ originate significant, locally produced programming designed to serve its community of license;

~~(h) (8)~~ have a total annual operating income and budget of at least \$50,000;

~~(i) (9)~~ have either a board of directors representing the community or a community advisory board that conducts advisory board meetings that are open to the public;

~~(j) (10)~~ have a board of directors that: ~~(i)~~ holds the portion of any meeting relating to the management or operation of the radio station open to the public and ~~(ii)~~ permits any person to attend any meeting of the board without requiring a person, as a condition to attendance at the meeting, to register the person's name or to provide any other information; and

~~(k) (11)~~ have met the criteria in clauses ~~(a) (1)~~ to ~~(j) (10)~~ for six months before it is eligible for state assistance under this section.

**(b)** The commissioner shall accept the judgment of Corporation for Public Broadcasting accepted audit when it is available on a station's eligibility for assistance under the criteria of this subdivision. If the station is not qualified for assistance or is qualified for but not receiving funding from the Corporation for Public Broadcasting, an independent audit is required to verify eligibility under paragraph (a), clause (8). If neither is available, the commissioner may accept a written declaration of eligibility signed by an independent auditor, a certified public accountant, or the chief executive officer of the station's parent organization if it is an institution of education.

Sec. 25. Minnesota Statutes 2012, section 129D.155, is amended to read:

#### **129D.155 REPAYMENT OF FUNDS.**

State funds distributed to public television or noncommercial radio stations and used to purchase equipment assets must be repaid to the state, without interest, if the assets purchased with these funds are sold within five years or otherwise converted to a person other than a nonprofit or municipal corporation. The amount due to the state shall be the net amount realized from the sale of the assets, but shall not exceed the amount of state funds advanced for the purchase of the asset. The commissioner of administration may approve the use of funds derived from the sale of such assets for the purchase of new equipment for similar purposes.

Sec. 26. Minnesota Statutes 2012, section 161.1419, subdivision 3, is amended to read:

Subd. 3. **Investigatory powers; Chair, vice-chair, and secretary.** The commission may hold meetings and hearings at such time and places as it may designate to accomplish the purposes set forth in this section and may subpoena witnesses and records. It shall select a chair, a vice-chair, and such other officers from its membership as it deems necessary. The commission shall appoint a secretary who shall also serve as a commission member.

Sec. 27. Minnesota Statutes 2012, section 469.3201, is amended to read:

#### **469.3201 STATE LEGISLATIVE AUDITOR; AUDITS OF JOB OPPORTUNITY BUILDING ZONES AND BUSINESS SUBSIDY AGREEMENTS.**

As resources allow, the Office of the State Auditor legislative auditor must annually audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under Minnesota Statutes, sections 469.310 to 469.320. To the extent necessary to perform this audit, the state auditor may request

~~from the commissioner of revenue tax return information of taxpayers who are eligible to receive tax benefits authorized under section 469.315. To the extent necessary to perform this audit, the state auditor may request from the commissioner of employment and economic development wage detail report information required under section 268.044 of taxpayers eligible to receive tax benefits authorized under section 469.315 All public officials and parties to the agreements shall provide the legislative auditor with all documents and data the legislative auditor deems necessary and in all other respects comply with the requirements of section 3.978, subdivision 2.~~

Sec. 28. Minnesota Statutes 2012, section 471.699, is amended to read:

**471.699 ENFORCEMENT OF REPORTING REQUIREMENTS.**

Failure of a city to timely file a statement or report under section 471.697 or 471.698 shall, in addition to any other penalties provided by law, authorize the state auditor to send full-time personnel to the city or to contract with private persons, firms, or corporations pursuant to section ~~6.58~~ 6.581, in order to complete and file the financial statement or report. The expenses related to the completion and filing of the financial statement or report shall be charged to the city. Upon failure by the city to pay the charge within 30 days of billing, the state auditor shall so certify to the commissioner of management and budget who shall forward the amount certified to the general fund and deduct the amount from any state funds due to the city under any shared taxes or aids. The state auditor's annual report on cities shall include a listing of all cities failing to file a statement or report.

Sec. 29. **LEGISLATIVE ADVISORY COMMISSION CHAIR; 2013.**

Under Minnesota Statutes, section 3.30, subdivision 2, the chair of the Legislative Advisory Commission must be a member of the senate in 2013.

Sec. 30. **AUDIT OF FINANCIAL STATEMENTS.**

The legislative auditor shall examine alternatives for achieving an annual independent audit of the financial statements of the state of Minnesota required by Minnesota Statutes, section 16A.50, and make recommendations to the Legislative Audit Commission and appropriate legislative committees by October 1, 2013.

Sec. 31. **REIMBURSEMENT TO CERTAIN EMPLOYEES DENIED COVERAGE.**

(a) This section applies to a participant in the state employee group insurance program who was denied dependent coverage between July 1, 2012, and December 31, 2012, because of a dependent audit conducted under Laws 2011, First Special Session chapter 10, article 3, section 40. Upon written request of a participant to whom this section applies, the commissioner of management and budget must determine, within 30 days of receiving the request, if the participant's dependents would have been eligible for coverage if the participant had responded in a timely manner to a letter requesting verification of dependent eligibility. As a condition of making a determination under this section, the commissioner may require a participant to submit statements or other evidence to support the participant's request. A request under this section must be made before September 30, 2013. The commissioner must notify the participant immediately after making a determination under this section. If the commissioner determines that the dependents would have been eligible for coverage, the commissioner must, within 60 days, reimburse the participant for the documented cost of other insurance that the participant purchased for dependents during the period of denial of coverage, minus the cost of dependent coverage the participant would have paid under the state employee group insurance program.

(b) The commissioner of management and budget must allocate the cost of this section to agencies and constitutional officers based on the proportionate positive variance between the general fund reductions allocated to agencies and constitutional officers under Laws 2011, First Special Session chapter 10, article 1, section 37, subdivision 1, to the actual general fund savings realized by those agencies and constitutional officers through the verification process required in that subdivision. The amount allocated to each agency is reduced from each agency's general fund appropriation and appropriated to the commissioner of management and budget to make the payments required in this section. The appropriation is available until June 30, 2014.

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

Sec. 32. **REPEALER.**

Minnesota Statutes 2012, sections 3.304, subdivisions 1 and 5; 3.885, subdivision 10; and 6.58, are repealed.

**ARTICLE 5**  
**REVENUE PROVISIONS**

Section 1. Minnesota Statutes 2012, section 65B.84, subdivision 1, is amended to read:

Subdivision 1. **Program described; commissioner's duties; appropriation.** (a) The commissioner of commerce shall:

(1) develop and sponsor the implementation of statewide plans, programs, and strategies to combat automobile theft, improve the administration of the automobile theft laws, and provide a forum for identification of critical problems for those persons dealing with automobile theft;

(2) coordinate the development, adoption, and implementation of plans, programs, and strategies relating to interagency and intergovernmental cooperation with respect to automobile theft enforcement;

(3) annually audit the plans and programs that have been funded in whole or in part to evaluate the effectiveness of the plans and programs and withdraw funding should the commissioner determine that a plan or program is ineffective or is no longer in need of further financial support from the fund;

(4) develop a plan of operation including:

(i) an assessment of the scope of the problem of automobile theft, including areas of the state where the problem is greatest;

(ii) an analysis of various methods of combating the problem of automobile theft;

(iii) a plan for providing financial support to combat automobile theft;

(iv) a plan for eliminating car hijacking; and

(v) an estimate of the funds required to implement the plan; and

(5) distribute money, in consultation with the commissioner of public safety, pursuant to subdivision 3 from the automobile theft prevention special revenue account for automobile theft prevention activities, including:

(i) paying the administrative costs of the program;

(ii) providing financial support to the State Patrol and local law enforcement agencies for automobile theft enforcement teams;

(iii) providing financial support to state or local law enforcement agencies for programs designed to reduce the incidence of automobile theft and for improved equipment and techniques for responding to automobile thefts;

(iv) providing financial support to local prosecutors for programs designed to reduce the incidence of automobile theft;

- (v) providing financial support to judicial agencies for programs designed to reduce the incidence of automobile theft;
- (vi) providing financial support for neighborhood or community organizations or business organizations for programs designed to reduce the incidence of automobile theft and to educate people about the common methods of automobile theft, the models of automobiles most likely to be stolen, and the times and places automobile theft is most likely to occur; and
- (vii) providing financial support for automobile theft educational and training programs for state and local law enforcement officials, driver and vehicle services exam and inspections staff, and members of the judiciary.

(b) The commissioner may not spend in any fiscal year more than ten percent of the money in the fund for the program's administrative and operating costs. The commissioner is annually appropriated and must distribute the amount of the proceeds credited to the automobile theft prevention special revenue account each year, less the transfer of \$1,300,000 each year to the general fund described in section ~~168A.40, subdivision 4~~ 297I.11, subdivision 2.

**EFFECTIVE DATE.** This section is effective for premiums collected after June 30, 2013.

Sec. 2. Minnesota Statutes 2012, section 270C.69, subdivision 1, is amended to read:

**Subdivision 1. Notice and procedures.** (a) The commissioner may, within five years after the date of assessment of the tax, or if a lien has been filed under section 270C.63, within the statutory period for enforcement of the lien, give notice to any employer deriving income which has a taxable situs in this state regardless of whether the income is exempt from taxation, that an employee of that employer is delinquent in a certain amount with respect to any taxes, including penalties, interest, and costs. The commissioner can proceed under this section only if the tax is uncontested or if the time for appeal of the tax has expired. The commissioner shall not proceed under this section until the expiration of 30 days after mailing to the taxpayer, at the taxpayer's last known address, a written notice of (1) the amount of taxes, interest, and penalties due from the taxpayer and demand for their payment, and (2) the commissioner's intention to require additional withholding by the taxpayer's employer pursuant to this section. The effect of the notice shall expire one year after it has been mailed to the taxpayer provided that the notice may be renewed by mailing a new notice which is in accordance with this section. The renewed notice shall have the effect of reinstating the priority of the original claim. The notice to the taxpayer shall be in substantially the same form as that provided in section 571.72. The notice shall further inform the taxpayer of the wage exemptions contained in section 550.37, subdivision 14. If no statement of exemption is received by the commissioner within 30 days from the mailing of the notice, the commissioner may proceed under this section. The notice to the taxpayer's employer may be served by mail or by delivery by an agent of the department and shall be in substantially the same form as provided in section 571.75. Upon receipt of notice, the employer shall withhold from compensation due or to become due to the employee, the total amount shown by the notice, subject to the provisions of section 571.922. The employer shall continue to withhold each pay period until the notice is released by the commissioner under section 270C.7109. Upon receipt of notice by the employer, the claim of the state of Minnesota shall have priority over any subsequent garnishments or wage assignments. The commissioner may arrange between the employer and the employee for withholding a portion of the total amount due the employee each pay period, until the total amount shown by the notice plus accrued interest has been withheld.

(b) The "compensation due" any employee is defined in accordance with the provisions of section 571.921. The maximum withholding allowed under this section for any one pay period shall be decreased by any amounts payable pursuant to a garnishment action with respect to which the employer was served prior to being served with the notice of delinquency and any amounts covered by any irrevocable and previously effective assignment of wages; the employer shall give notice to the commissioner of the amounts and the facts relating to such assignments within ten days after the service of the notice of delinquency on the form provided by the commissioner as noted in this section.

(c) Within ten days after the expiration of such pay period, the employer shall remit to the commissioner, ~~on a form and~~ in the manner prescribed by the commissioner, the amount withheld during each pay period under this section. The employer must file all wage levy disclosure forms and remit all wage levy payments by electronic means.

**EFFECTIVE DATE.** This section is effective for wage levy disclosures or wage levy payments filed or made after December 31, 2013.

Sec. 3. Minnesota Statutes 2012, section 289A.20, subdivision 2, is amended to read:

Subd. 2. **Withholding from wages, entertainer withholding, withholding from payments to out-of-state contractors, and withholding by partnerships, small business corporations, trusts.** (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships, S corporations, and trusts must be paid on a quarterly basis as estimated taxes under section 289A.25 for partnerships and trusts and under section 289A.26 for S corporations.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the safe harbor or de minimis rules in paragraph (f) or the one-day rule in paragraph (c)(3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld is:

(1) ~~\$20,000 or more in the fiscal year ending June 30, 2005; or~~

(2) \$10,000 or more in ~~the a~~ fiscal year ending June 30, 2006, and fiscal years thereafter,

the employer must remit each required deposit for wages paid in ~~the~~ all subsequent calendar ~~year~~ years by electronic means.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 4. Minnesota Statutes 2012, section 289A.20, subdivision 4, is amended to read:

**Subd. 4. Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that:

(1) use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year; and

(2) except as provided in paragraph (f), for a vendor having a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the commissioner monthly in the following manner:

(i) On or before the 14th day of the month following the month in which the taxable event occurred, the vendor must remit to the commissioner 90 percent of the estimated liability for the month in which the taxable event occurred.

(ii) On or before the 20th day of the month in which the taxable event occurs, the vendor must remit to the commissioner a prepayment for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month.

(iii) On or before the 20th day of the month following the month in which the taxable event occurred, the vendor must pay any additional amount of tax not previously remitted under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than the vendor's liability for the month in which the taxable event occurred, the vendor may take a credit against the next month's liability in a manner prescribed by the commissioner.

(iv) Once the vendor first pays under either item (i) or (ii), the vendor is required to continue to make payments in the same manner, as long as the vendor continues having a liability of \$120,000 or more during the most recent fiscal year ending June 30.

(v) Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required payment in the first month that the vendor is required to make a payment under either item (i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make subsequent monthly payments in the manner provided in item (ii).

(vi) For vendors making an accelerated payment under item (ii), for the first month that the vendor is required to make the accelerated payment, on the 20th of that month, the vendor will pay 100 percent of the liability for the previous month and a prepayment for the first month equal to 67 percent of the liability for the previous month.

(b) Notwithstanding paragraph (a), a vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 90 percent of the estimated June liability to the commissioner.

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

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30, 2009 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in ~~the~~ all subsequent calendar ~~year~~ years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a), clause (2), on returns due for periods beginning in the subsequent calendar year, except for 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

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

(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and paid with the chapter 297A taxes, then the payment of all the liabilities on the return must be accelerated as provided in this subdivision.

(f) At the start of the first calendar quarter at least 90 days after the cash flow account established in section 16A.152, subdivision 1, and the budget reserve account established in section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required under paragraph (a), clause (2), must be suspended. The commissioner of management and budget shall notify the commissioner of revenue when the accounts have reached the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day of the month following the month in which the taxable event occurred. Payments of tax liabilities for taxable events occurring in June under paragraph (b) are not changed.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 5. Minnesota Statutes 2012, section 289A.26, subdivision 2a, is amended to read:

Subd. 2a. **Electronic payments.** If the aggregate amount of estimated tax payments made is:

(1) \$20,000 or more in the fiscal year ending June 30, 2005; or

(2) \$10,000 or more in the a fiscal year ending June 30, 2006, and fiscal years thereafter,

all estimated tax payments in the all subsequent calendar year years must be paid by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 6. Minnesota Statutes 2012, section 295.55, subdivision 4, is amended to read:

Subd. 4. **Electronic payments.** A taxpayer with an aggregate tax liability of:

(1) \$20,000 or more in the fiscal year ending June 30, 2005; or

(2) \$10,000 or more in the a fiscal year ending June 30, 2006, and fiscal years thereafter,

must remit all liabilities by electronic means in the all subsequent calendar year years.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 7. Minnesota Statutes 2012, section 297F.09, subdivision 7, is amended to read:

Subd. 7. **Electronic payment.** A cigarette or tobacco products distributor having a liability of \$10,000 or more during a fiscal year ending June 30 must remit all liabilities in ~~the~~ all subsequent calendar ~~year~~ years by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 8. Minnesota Statutes 2012, section 297G.09, subdivision 6, is amended to read:

Subd. 6. **Electronic payments.** A licensed brewer, importer, or wholesaler having an excise tax liability of \$10,000 or more during a fiscal year ending June 30 must remit all excise tax liabilities in ~~the~~ all subsequent calendar ~~year~~ years by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 9. **[297I.11] AUTOMOBILE THEFT PREVENTION SURCHARGE.**

Subdivision 1. **Surcharge.** Each insurer engaged in the writing of policies of automobile insurance shall collect a surcharge, at the rate of 50 cents per vehicle for every six months of coverage, on each policy of automobile insurance providing comprehensive insurance coverage issued or renewed in this state. The surcharge may not be considered premium for any purpose, including the computation of premium tax or agents' commissions. The amount of the surcharge must be separately stated on either a billing or policy declaration sent to an insured. Insurers shall remit the revenue derived from this surcharge to the commissioner of revenue for purposes of the automobile theft prevention program described in section 65B.84. For purposes of this subdivision, "policy of automobile insurance" has the meaning given it in section 65B.14, covering only the following types of vehicles as defined in section 168.002:

- (1) a passenger automobile;
- (2) a pickup truck;
- (3) a van but not commuter vans as defined in section 168.126; or
- (4) a motorcycle,

except that no vehicle with a gross vehicle weight in excess of 10,000 pounds is included within this definition.

Subd. 2. **Automobile theft prevention account.** A special revenue account in the state treasury shall be credited with the proceeds of the surcharge imposed under subdivision 1. Of the revenue in the account, \$1,300,000 each year must be transferred to the general fund. Revenues in excess of \$1,300,000 each year may be used only for the automobile theft prevention program described in section 65B.84.

Subd. 3. **Collection and administration.** The commissioner shall collect and administer the surcharge imposed by this section in the same manner as the taxes imposed by this chapter.

**EFFECTIVE DATE.** This section is effective for premiums collected after June 30, 2013.

Sec. 10. Minnesota Statutes 2012, section 297I.30, is amended by adding a subdivision to read:

Subd. 10. Automobile theft prevention surcharge. On or before May 1, August 1, November 1, and February 1 of each year, every insurer required to pay the surcharge under section 297I.11 shall file a return with the commissioner for the preceding three-month period ending March 31, June 30, September 30, and December 31, in the form prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for premiums collected after June 30, 2013.

Sec. 11. Minnesota Statutes 2012, section 297I.35, subdivision 2, is amended to read:

Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges due under this chapter during a fiscal year ending June 30 is equal to or exceeds \$10,000, or if the taxpayer is required to make payment of any other tax to the commissioner by electronic means, then all tax and surcharge payments in ~~the~~ all subsequent calendar ~~year~~ years must be paid by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 12. Minnesota Statutes 2012, section 473.843, subdivision 3, is amended to read:

Subd. 3. **Payment of fee.** On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

An operator having a fee of \$10,000 or more during a fiscal year ending June 30 must pay all fees in ~~the~~ all subsequent calendar ~~year~~ years by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 13. **REPEALER.**

(a) Minnesota Statutes 2012, section 168A.40, subdivisions 3 and 4, are repealed effective for premiums collected after June 30, 2013.

(b) Minnesota Statutes 2012, section 270C.145, is repealed the day following final enactment.

## ARTICLE 6 SUNSET REPEAL

Section 1. Minnesota Statutes 2012, section 254A.035, subdivision 2, is amended to read:

Subd. 2. **Membership terms, compensation, removal and expiration.** The membership of this council shall be composed of 17 persons who are American Indians and who are appointed by the commissioner. The commissioner shall appoint one representative from each of the following groups: Red Lake Band of Chippewa Indians; Fond du Lac Band, Minnesota Chippewa Tribe; Grand Portage Band, Minnesota Chippewa Tribe; Leech Lake Band, Minnesota Chippewa Tribe; Mille Lacs Band, Minnesota Chippewa Tribe; Bois Forte Band, Minnesota Chippewa Tribe; White Earth Band, Minnesota Chippewa Tribe; Lower Sioux Indian Reservation; Prairie Island Sioux Indian Reservation; Shakopee Mdewakanton Sioux Indian Reservation; Upper Sioux Indian Reservation; International Falls Northern Range; Duluth Urban Indian Community; and two representatives from the Minneapolis Urban Indian Community and two from the St. Paul Urban Indian Community. The terms, compensation, and removal of American Indian Advisory Council members shall be as provided in section 15.059. The council expires June 30, 2014, ~~or in accordance with section 3D.21, whichever is later.~~

Sec. 2. Minnesota Statutes 2012, section 254A.04, is amended to read:

**254A.04 CITIZENS ADVISORY COUNCIL.**

There is hereby created an Alcohol and Other Drug Abuse Advisory Council to advise the Department of Human Services concerning the problems of alcohol and other drug dependency and abuse, composed of ten members. Five members shall be individuals whose interests or training are in the field of alcohol dependency and abuse; and five members whose interests or training are in the field of dependency and abuse of drugs other than alcohol. The terms, compensation and removal of members shall be as provided in section 15.059. The council expires June 30, 2014,~~, or in accordance with section 3D.21, whichever is later~~. The commissioner of human services shall appoint members whose terms end in even-numbered years. The commissioner of health shall appoint members whose terms end in odd-numbered years.

Sec. 3. Minnesota Statutes 2012, section 256B.093, subdivision 1, is amended to read:

Subdivision 1. **State traumatic brain injury program.** The commissioner of human services shall:

- (1) maintain a statewide traumatic brain injury program;
- (2) supervise and coordinate services and policies for persons with traumatic brain injuries;
- (3) contract with qualified agencies or employ staff to provide statewide administrative case management and consultation;
- (4) maintain an advisory committee to provide recommendations in reports to the commissioner regarding program and service needs of persons with brain injuries;
- (5) investigate the need for the development of rules or statutes for the brain injury home and community-based services waiver;
- (6) investigate present and potential models of service coordination which can be delivered at the local level; and
- (7) the advisory committee required by clause (4) must consist of no fewer than ten members and no more than 30 members. The commissioner shall appoint all advisory committee members to one- or two-year terms and appoint one member as chair. Notwithstanding section 15.059, subdivision 5, the advisory committee does not terminate until June 30, 2014,~~, or in accordance with section 3D.21, whichever is later~~.

Sec. 4. Minnesota Statutes 2012, section 260.835, subdivision 2, is amended to read:

Subd. 2. **Expiration.** Notwithstanding section 15.059, subdivision 5, the American Indian Child Welfare Advisory Council expires June 30, 2014,~~, or in accordance with section 3D.21, whichever is later~~.

Sec. 5. Laws 2012, chapter 278, article 1, section 5, is amended to read:

**Sec. 5. COUNCIL ON BLACK MINNESOTANS.**

The Office of the Legislative Auditor should conduct a financial audit of the Council on Black Minnesotans by December 1, 2013. In its next report to the ~~Sunset Advisory Commission~~ ~~governor and legislature under Minnesota Statutes, section 3.9225, subdivision 7,~~ the Council on Black Minnesotans must respond to any issues raised in this audit and to issues raised in previous audits.

**Sec. 6. REVISOR'S INSTRUCTION.**

The revisor of statutes shall delete all references to "the Sunset Advisory Commission" wherever they appear in Minnesota Statutes, and shall make other changes as necessary in Minnesota Statutes as a result of the enactment of this article.

**Sec. 7. REPEALER.**

(a) Minnesota Statutes 2012, sections 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; and 3D.21, subdivisions 2, 3, 4, 5, 6, 7, and 8, are repealed.

(b) Laws 2012, chapter 278, article 1, section 6, is repealed.

**Sec. 8. EFFECTIVE DATE.**

Sections 1 to 7 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to operation of state government finance; changing a paid military leave provision; modifying provisions in the Veterans Service Office Grant Program; changing provisions in the Minnesota GI Bill program; establishing presumption of rehabilitation by an honorable discharge status from military service following a prior offense; providing for a bid preference for contracts for veteran-owned small businesses; allowing active duty service members to take a peace officer reciprocity exam; changing provisions for the Legislative Advisory Commission, Legislative Coordinating Commission, Legislative Commission on Pensions and Retirement, and the Legislative Audit Commission; granting authority for the secretary of state to accept funds from local government units; allowing the secretary of state to receive certain funds for the address confidentiality program; allowing the state auditor to charge a onetime user fee for a small city and town accounting system software; changing certain provisions pertaining to the state auditor; changing compensation council provisions; requiring determination of IT costs for certain projects; modifying performance measures for change items in the state budget proposal; providing for continuing appropriations under certain circumstances and federal contingency planning; changing certain Office of Enterprise Technology provisions; changing certain audit provisions from the state auditor to the legislative auditor; modifying provisions for general noncommercial radio station grants; providing a change to the state employee group insurance program under a certain circumstance; making Department of Revenue changes; repealing the Minnesota Sunset Act; appropriating money; amending Minnesota Statutes 2012, sections 3.30, subdivision 2; 3.303, by adding a subdivision; 3.85, subdivisions 8, 9; 3.971, subdivision 6, by adding subdivisions; 6.48; 6.56, subdivision 2; 15A.082, subdivisions 1, 2, 3; 16A.10, subdivision 1c; 16A.82; 32C.04; 65B.84, subdivision 1; 129D.14, subdivisions 2, 3; 129D.155; 161.1419, subdivision 3; 192.26; 197.608, subdivisions 3, 4, 5, 6; 197.791, subdivisions 4, 5; 254A.035, subdivision 2; 254A.04; 256B.093, subdivision 1; 260.835, subdivision 2; 270C.69, subdivision 1; 289A.20, subdivisions 2, 4; 289A.26, subdivision 2a; 295.55, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 364.03, subdivision 3; 469.3201; 471.699; 473.843, subdivision 3; 626.8517; Laws 2012, chapter 278, article 1, section 5; proposing coding for new law in Minnesota Statutes, chapters 5; 5B; 6; 16A; 16E; 297I; 471; repealing Minnesota Statutes 2012, sections 3.304, subdivisions 1, 5; 3.885, subdivision 10; 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; 3D.21, subdivisions 2, 3, 4, 5, 6, 7, 8; 6.58; 168A.40, subdivisions 3, 4; 197.608, subdivision 2a; 270C.145; Laws 2012, chapter 278, article 1, section 6."

With the recommendation that when so amended the bill pass.

The report was adopted.

**SECOND READING OF HOUSE BILLS**

H. F. Nos. 1183 and 1233 were read for the second time.

**SECOND READING OF SENATE BILLS**

S. F. Nos. 541, 769 and 1589 were read for the second time.

**MESSAGES FROM THE SENATE**

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 129, A bill for an act relating to commerce; regulating mortgage foreclosures; clarifying the definition of a foreclosure consultant; amending Minnesota Statutes 2012, section 325N.01.

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 290, A bill for an act relating to state government; modifying false claims provisions; amending Minnesota Statutes 2012, sections 15C.01; 15C.02; 15C.05; 15C.08; 15C.12; 15C.13; proposing coding for new law in Minnesota Statutes, chapter 15C; repealing Minnesota Statutes 2012, section 15C.14.

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate File, herewith transmitted:

S. F. No. 1236.

JOANNE M. ZOFF, Secretary of the Senate

**FIRST READING OF SENATE BILLS**

S. F. No. 1236, A bill for an act relating to higher education; providing funding for the University of Minnesota, Minnesota State Colleges and Universities, the Minnesota Office of Higher Education, and for other higher education purposes; regulating the state grant program; limiting certain tuition increases; regulating bonus payments;

eliminating state regulation of certain online instruction; providing for local bank deposit of certain MnSCU reserves; requiring the development of strategies to assist in the completion of post-secondary programs; requiring an assessment of the feasibility of a state program to refinance student debt; creating a pilot program for intensive mentoring, counseling, and job placement activities for certain students; requiring an evaluation of which performance standards should be used to evaluate institutional eligibility for state student financial aid programs; requiring the University of Minnesota to develop a plan to reduce administrative costs; requiring a higher education mental health summit; creating a tribal college supplemental grant assistance program; recognizing veteran's experience and training for various higher education purposes; providing a pilot program for state grant aid to part-time students at MnSCU institutions; appropriating money; amending Minnesota Statutes 2012, sections 13.47, subdivision 3; 127A.70, subdivision 2; 135A.61; 136A.031, subdivision 2; 136A.101, subdivisions 3, 5a, 9; 136A.121, subdivision 5, by adding a subdivision; 136A.125, subdivisions 2, 4; 136A.233, subdivision 2; 136A.62, by adding a subdivision; 136A.646; 136A.65, subdivisions 4, 8; 136A.653, by adding a subdivision; 136F.40, subdivision 2; 137.027; 141.25, subdivision 7; 141.35; 197.775, subdivisions 1, 2, by adding a subdivision; 268.19, subdivision 1; 299A.45, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 135A; 136A; 136F; 137; repealing Minnesota Statutes 2012, section 136A.121, subdivision 9b.

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

Murphy, E., moved that the House recess subject to the call of the Chair. The motion prevailed.

#### RECESS

#### RECONVENED

The House reconvened and was called to order by the Speaker.

Fritz was excused for the remainder of today's session.

Laine was excused between the hours of 3:30 p.m. and 4:20 p.m.

#### CALENDAR FOR THE DAY

H. F. No. 976 was reported to the House.

Wagenius move to amend H. F. No. 976, the second engrossment, as follows:

Page 3, line 6, delete "33,736,000" and insert "33,730,000"

Page 54, line 11, delete "236,483,000" and insert "236,783,000"

Page 54, line 15, delete "85,104,000" and insert "85,404,000"

Page 56, line 11, delete "28,227,000" and insert "29,227,000" and delete "30,987,000" and insert "31,987,000"

Page 56, line 14, delete "11,262,000" and insert "12,262,000" and delete "11,262,000" and insert "12,262,000"

Page 64, line 25, delete "36,558,000" and insert "35,558,000" and delete "36,558,000" and insert "35,558,000"

Page 64, line 28, delete "5,375,000" and insert "4,375,000" and delete "5,375,000" and insert "4,375,000"

Hansen moved to amend the Wagenius amendment to H. F. No. 976, the second engrossment, as follows:

Page 1, after line 8, insert:

"Page 59, after line 14, insert:

"The commissioner, in cooperation with the commissioner of agriculture, shall enforce compliance with aquatic plant management requirements regulating the control of aquatic plants with pesticides and removal of aquatic plants by mechanical means under Minnesota Statutes, section 103G.615."

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

Hansen moved to amend the Wagenius amendment, as amended, to H. F. No. 976, the second engrossment, as follows:

Page 1, after line 2, insert:

"Page 53, line 5, after the period, insert "The members of the silica sand technical assistance team representing state entities shall be existing state employees whenever possible. The costs of the technical assistance team members directly related to and necessary for the silica sand technical assistance team may be paid for from this appropriation."

Page 1, after line 12, insert:

"Page 146, after line 16, insert:

"(c) When a local unit of government requests assistance from the silica sand technical assistance team for environmental review or permitting of a silica sand project the local unit of government may assess the project proposer for reasonable costs of the assistance and use the funds received to reimburse the entity providing that assistance."

The motion prevailed and the amendment to the amendment, as amended, was adopted.

The question recurred on the Wagenius amendment, as amended, to H. F. No. 976, the second engrossment. The motion prevailed and the amendment, as amended, was adopted.

Hackbarth moved to amend H. F. No. 976, the second engrossment, as amended, as follows:

Page 74, delete sections 3 to 6

Page 75, delete sections 8 and 9

Page 76, delete section 10

Page 82, delete sections 21 and 23

Page 83, delete sections 24 and 25

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Fischer moved to amend H. F. No. 976, the second engrossment, as amended, as follows:

Page 109, after line 17, insert:

"Sec. 86. Minnesota Statutes 2012, section 103G.271, subdivision 1, is amended to read:

Subdivision 1. **Permit required.** (a) Except as provided in paragraph (b), the state, a person, partnership, or association, private or public corporation, county, municipality, or other political subdivision of the state may not appropriate or use waters of the state without a water use permit from the commissioner.

(b) This section does not apply to use for a water supply by less than 25 persons for domestic purposes, except as required by the commissioner under section 103G.287, subdivision 4, paragraph (b).

(c) The commissioner may issue a state general permit for appropriation of water to a governmental subdivision or to the general public. The general permit may authorize more than one project and the appropriation or use of more than one source of water. Water use permit processing fees and reports required under subdivision 6 and section 103G.281, subdivision 3, are required for each project or water source that is included under a general permit, except that no fee is required for uses totaling less than 15,000,000 gallons annually.

Sec. 87. Minnesota Statutes 2012, section 103G.271, subdivision 4, is amended to read:

Subd. 4. **Minimum use exemption and local approval of low use permits.** (a) Except for local permits under section 103B.211, subdivision 4, a water use permit is not required for the appropriation and use of less than a minimum amount prescribed by the commissioner by rule 10,000 gallons per day and totaling no more than 1,000,000 gallons per year, except as required by the commissioner under section 103G.287, subdivision 4, paragraph (b).

(b) Water use permits for more than the minimum amount but less than an intermediate amount prescribed by rule must be processed and approved at the municipal, county, or regional level based on rules adopted by the commissioner.

(c) The rules must include provisions for reporting to the commissioner the amounts of water appropriated under local permits."

Page 113, after line 14, insert:

"Sec. 89. Minnesota Statutes 2012, section 103G.287, subdivision 4, is amended to read:

**Subd. 4. Groundwater management areas.** (a) The commissioner may designate groundwater management areas and limit total annual water appropriations and uses within a designated area to ensure sustainable use of groundwater that protects ecosystems, water quality, and the ability of future generations to meet their own needs. Water appropriations and uses within a designated management area must be consistent with a plan approved by the commissioner that addresses water conservation requirements and water allocation priorities established in section 103G.261.

(b) Within designated groundwater management areas, the commissioner may require permits as specified in section 103G.271 for all water users, including those using less than 10,000 gallons per day or 1,000,000 gallons per year and water supplies serving less than 25 persons for domestic purposes."

Page 149, after line 4, insert:

"Sec. 119. **GROUNDWATER SUSTAINABILITY RECOMMENDATIONS.**

The commissioner of natural resources shall develop recommendations on additional tools needed to fully implement the groundwater sustainability requirements of Minnesota Statutes, section 103G.287, subdivisions 3 and 5. The recommendations shall be submitted to the chairs of the environment and natural resources policy and finance committees by January 15, 2014, and shall include draft legislative language to implement the recommendations."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Fischer amendment and the roll was called. There were 66 yeas and 63 nays as follows:

Those who voted in the affirmative were:

Allen	Dorholt	Hortman	Lillie	Murphy, E.	Schoen
Anzelc	Erhardt	Huntley	Loeffler	Murphy, M.	Selcer
Atkins	Erickson, R.	Isaacson	Mahoney	Nelson	Simon
Benson, J.	Falk	Johnson, C.	Mariani	Newton	Simonson
Bernardy	Fischer	Johnson, S.	Marquart	Norton	Slocum
Bly	Freiberg	Kahn	Masin	Paymar	Sundin
Brynaert	Halverson	Laine	Melin	Pelowski	Wagenius
Carlson	Hansen	Lenczewski	Metsa	Persell	Ward, J.A.
Clark	Hausman	Lesch	Moran	Poppe	Ward, J.E.
Davnie	Hilstrom	Liebling	Morgan	Rosenthal	Winkler
Dehn, R.	Hornstein	Lien	Mullery	Savick	Yarusso

Those who voted in the negative were:

Abeler	Cornish	Faust	Hertaus	Kresha	Myhra
Albright	Daudt	FitzSimmons	Holberg	Leidiger	Newberger
Anderson, M.	Davids	Franson	Hoppe	Lohmer	Nornes
Anderson, P.	Dean, M.	Green	Howe	Loon	O'Driscoll
Anderson, S.	Dettmer	Gruenhagen	Johnson, B.	Mack	O'Neill
Barrett	Drazkowski	Gunther	Kelly	McDonald	Peppin
Beard	Erickson, S.	Hackbart	Kieffer	McNamara	Petersburg
Benson, M.	Fabian	Hamilton	Kiel	McNamara	Pugh

Quam	Sanders	Scott	Uglem	Woodard
Radinovich	Sawatzky	Swedzinski	Urdahl	Zellers
Runbeck	Schomacker	Torkelson	Wills	Zerwas

The motion prevailed and the amendment was adopted.

Newberger moved to amend H. F. No. 976, the second engrossment, as amended, as follows:

Page 33, after line 34, insert:

"Sec. 42. Minnesota Statutes 2012, section 28A.15, subdivision 9, is amended to read:

**Subd. 9. Community event or farmers' market; cottage foods.** An individual (a) A person who prepares and sells food, including but not limited to baked goods, that is not potentially hazardous food, as defined in rules adopted under section 31.11, at the person's residence, a roadside stand, a community or social event, or farmers' market with gross receipts of \$5,000 \$26,000 or less in a calendar year from the prepared food items. If the food is not prepared in a kitchen that is licensed or inspected, the seller must post a visible sign or placard stating that: "These products are homemade and not subject to state inspection." Prepared foods sold under this subdivision must be labeled to accurately reflect the name and address of the person preparing and selling the foods. Except as provided in subdivision 10, paragraph (b), a person selling food under this subdivision or subdivision 10 must comply with all applicable requirements under chapter 31 and maintain sales records. All sales records and labels must be available to food inspectors of the Department of Agriculture upon request.

(b) For the purposes of this subdivision, the term "baked goods" means cookies, cakes, breads, danish, doughnuts, pastries, pies, and other similar items prepared to be baked in an oven. Baked goods does not include potentially hazardous food as defined in rules adopted under section 31.11.

Sec. 43. Minnesota Statutes 2012, section 28A.15, subdivision 10, is amended to read:

**Subd. 10. Certain home-processed and home-canned foods.** (a) A person who receives less than \$5,000 \$26,000 in gross receipts in a calendar year from the sale of home-processed and home-canned food products and meets the requirements in clauses (1) to (5):

(1) the products are pickles, vegetables, or fruits having an equilibrium pH value of 4.6 or lower;

(2) the products are home-processed and home-canned in Minnesota;

(3) the products are sold or offered for sale at the person's residence, a roadside stand, a community or social event, or a farmers' market in Minnesota;

(4) the seller displays at the point of sale a clearly legible sign or placard stating: "These canned goods are homemade and not subject to state inspection" unless the products were processed and canned in a kitchen that is licensed or inspected; and

(5) each container of the product sold or offered for sale under this exemption is accurately labeled to provide the name and address of the person who processed and canned the goods and the date on which the goods were processed and canned.

(b) A person who qualifies for an exemption under paragraph (a) is also exempt from the provisions of sections 31.31 and 31.392.

(c) A person claiming an exemption under this subdivision is urged to:

(1) attend and successfully complete a better process school recognized by the commissioner; and

(2) have the recipe and manufacturing process reviewed by a person knowledgeable in the food canning industry and recognized by the commissioner as a process authority.

(d) The commissioner, in close cooperation with the commissioner of health and the Minnesota Extension Service, shall attempt to maximize the availability of information and technical services and support for persons who wish to home process and home can low acid and acidified food products."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Newberger amendment and the roll was called. There were 60 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Abeler	Davids	Gunther	Kiel	Nornes	Schomacker
Albright	Dean, M.	Hackbarth	Kresha	O'Driscoll	Scott
Anderson, M.	Dettmer	Hamilton	Leidiger	O'Neill	Swedzinski
Anderson, P.	Drazkowski	Hertaus	Lohmer	Peppin	Torkelson
Anderson, S.	Erickson, S.	Holberg	Loon	Petersburg	Uglem
Barrett	Fabian	Hoppe	Mack	Pugh	Urdahl
Beard	FitzSimmons	Howe	McDonald	Quam	Wills
Benson, M.	Franson	Johnson, B.	McNamara	Rosenthal	Woodard
Cornish	Green	Kelly	Myhra	Runbeck	Zellers
Daudt	Gruenhagen	Kieffer	Newberger	Sanders	Zerwas

Those who voted in the negative were:

Allen	Erhardt	Huntley	Mahoney	Nelson	Simon
Anzelc	Erickson, R.	Isaacson	Mariani	Newton	Simonson
Atkins	Falk	Johnson, C.	Marquart	Norton	Slocum
Benson, J.	Faust	Johnson, S.	Masin	Paymar	Sundin
Bernardy	Fischer	Kahn	McNamara	Pelowski	Wagenius
Bly	Freiberg	Laine	Melin	Persell	Ward, J.A.
Brynaert	Halverson	Lenczewski	Metsa	Poppe	Ward, J.E.
Carlson	Hansen	Lesch	Moran	Radinovich	Winkler
Clark	Hausman	Liebling	Morgan	Savick	Yarusso
Davnie	Hilstrom	Lien	Mullery	Sawatzky	Spk. Thissen
Dehn, R.	Hornstein	Lillie	Murphy, E.	Schoen	
Dorholt	Hortman	Loeffler	Murphy, M.	Selcer	

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

Isaacson moved to amend H. F. No. 976, the second engrossment, as amended, as follows:

Page 114, line 2, delete "\$90" and insert "\$35"

A roll call was requested and properly seconded.

The question was taken on the Isaacson amendment and the roll was called. There were 62 yeas and 60 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Hamilton	Leidiger	Peppin	Torkelson
Anderson, M.	Drazkowski	Hertaus	Lohmer	Petersburg	Uglem
Anderson, P.	Erickson, S.	Holberg	Mack	Pugh	Urdahl
Anderson, S.	Fabian	Hoppe	McNamara	Quam	Ward, J.E.
Barrett	Fischer	Howe	McNamara	Radinovich	Wills
Beard	FitzSimmons	Isaacson	Myhra	Savick	Zellers
Benson, M.	Franson	Johnson, B.	Newberger	Sawatzky	Zerwas
Cornish	Green	Kelly	Nornes	Schoen	
Davids	Gruenhagen	Kieffer	Norton	Schomacker	
Dean, M.	Gunther	Kiel	O'Driscoll	Scott	
Dehn, R.	Halverson	Kresha	O'Neill	Swedzinski	

Those who voted in the negative were:

Allen	Dorholt	Hortman	Lillie	Mullery	Selcer
Anzelc	Erhardt	Huntley	Loeffler	Murphy, E.	Simon
Atkins	Erickson, R.	Johnson, C.	Mahoney	Murphy, M.	Simonson
Benson, J.	Falk	Johnson, S.	Mariami	Nelson	Slocum
Bernardy	Faust	Kahn	Marquart	Newton	Sundin
Bly	Freiberg	Laine	Masin	Paymar	Wagenius
Brynaert	Hansen	Lenczewski	Melin	Pelowski	Ward, J.A.
Carlson	Haushman	Lesch	Metsa	Persell	Winkler
Clark	Hilstrom	Liebling	Moran	Poppe	Yarusso
Davnie	Hornstein	Lien	Morgan	Rosenthal	Spk. Thissen

The motion prevailed and the amendment was adopted.

#### CALL OF THE HOUSE

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

Abeler	Beard	Daudt	Erickson, R.	Green	Hilstrom
Albright	Benson, J.	Davids	Erickson, S.	Gruenhagen	Holberg
Allen	Benson, M.	Davnie	Fabian	Gunther	Hoppe
Anderson, M.	Bernardy	Dean, M.	Falk	Hackbarth	Hornstein
Anderson, P.	Bly	Dehn, R.	Faust	Halverson	Hortman
Anderson, S.	Brynaert	Dettmer	Fischer	Hamilton	Howe
Anzelc	Carlson	Dorholt	FitzSimmons	Hansen	Huntley
Atkins	Clark	Drazkowski	Franson	Hausman	Isaacson
Barrett	Cornish	Erhardt	Freiberg	Hertaus	Johnson, B.

Johnson, C.	Lillie	Metsa	O'Neill	Sawatzky	Wagenius
Johnson, S.	Loeffler	Moran	Pelowski	Schoen	Ward, J.A.
Kahn	Lohmer	Morgan	Peppin	Schomacker	Ward, J.E.
Kelly	Loon	Mullery	Persell	Scott	Wills
Kieffer	Mack	Murphy, E.	Petersburg	Selcer	Winkler
Kiel	Mahoney	Murphy, M.	Poppe	Simon	Woodard
Kresha	Mariani	Myhra	Pugh	Simonson	Yarusso
Laine	Marquart	Nelson	Quam	Slocum	Zellers
Leidiger	Masin	Newberger	Radinovich	Sundin	Zerwas
Lenczewski	McDonald	Newton	Rosenthal	Swedzinski	Spk. Thissen
Lesch	McNamar	Nornes	Runbeck	Torkelson	
Liebling	McNamara	Norton	Sanders	Uglem	
Lien	Melin	O'Driscoll	Savick	Urdahl	

Murphy, E., 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.

H. F. No. 976, A bill for an act relating to state government; appropriating money for environment, natural resources, and agriculture; modifying and providing for certain fees; modifying and providing for disposition of certain revenue; creating accounts; modifying payment of certain costs; modifying grant programs; providing for agricultural water quality certification; modifying Minnesota Noxious Weed Law; modifying pesticide control; modifying animal waste technician provisions; modifying certain renewable energy and biofuel provisions; modifying bonding requirements for grain buyers and grain storage; making technical changes; modifying certain permit requirements; providing for federal law compliance; providing for certain easements; establishing pollinator habitat program; modifying state trails; modifying all-terrain vehicle operating provisions; modifying State Timber Act; modifying water use requirements; modifying certain park boundaries; modifying reporting requirements; modifying Petroleum Tank Release Cleanup Act; providing for silica sand mining model standards and technical assistance; establishing criteria for wastewater treatment system projects; providing for wastewater laboratory certification; providing for product stewardship programs; modifying Minnesota Power Plant Siting Act; providing for sanitary districts; requiring groundwater sustainability recommendations; requiring rulemaking; amending Minnesota Statutes 2012, sections 17.03, subdivision 3; 17.1015; 17.118, subdivision 2; 18.77, subdivisions 3, 4, 10, 12; 18.78, subdivision 3; 18.79, subdivisions 6, 13; 18.82, subdivision 1; 18.91, subdivisions 1, 2; 18B.01, by adding a subdivision; 18B.065, subdivision 2a; 18B.07, subdivisions 4, 5, 7; 18B.26, subdivision 3; 18B.305; 18B.316, subdivisions 1, 3, 4, 8, 9; 18B.37, subdivision 4; 18C.430; 18C.433, subdivision 1; 31.94; 41A.10, subdivision 2, by adding a subdivision; 41A.105, subdivisions 1a, 3, 5; 41A.12, by adding a subdivision; 41B.04, subdivision 9; 41D.01, subdivision 4; 84.027, by adding a subdivision; 84.82, by adding a subdivision; 84.922, by adding a subdivision; 84.9256, subdivision 1; 84.928, subdivision 1; 84D.108, subdivision 2; 85.015, subdivision 13; 85.052, subdivision 6; 85.054, by adding a subdivision; 85.055, subdivisions 1, 2; 85.42; 89.0385; 89.17; 90.01, subdivisions 4, 5, 6, 8, 11; 90.031, subdivision 4; 90.041, subdivisions 2, 5, 6, 9, by adding subdivisions; 90.045; 90.061, subdivision 8; 90.101, subdivision 1; 90.121; 90.145; 90.151, subdivisions 1, 2, 3, 4, 6, 7, 8, 9; 90.161; 90.162; 90.171; 90.181, subdivision 2; 90.191, subdivision 1; 90.193; 90.195; 90.201, subdivision 2a; 90.211; 90.221; 90.252, subdivision 1; 90.301, subdivisions 2, 4; 90.41, subdivision 1; 92.50; 93.17, subdivision 1; 93.1925, subdivision 2; 93.25, subdivision 2; 93.285, subdivision 3; 93.46, by adding a subdivision; 93.481, subdivisions 3, 5, by adding subdivisions; 93.482; 97A.401, subdivision 3; 103G.265, subdivisions 2, 3; 103G.271, subdivisions 1, 4, 6; 103G.282; 103G.287, subdivisions 1, 4, 5; 103G.615, subdivision 2; 103I.205, subdivision 1; 103I.601, by adding a subdivision; 114D.50, subdivision 4; 115A.1320, subdivision 1; 115B.20, subdivision 6; 115B.28, subdivision 1; 115C.02, subdivision 4; 115C.08, subdivision 4, by adding a subdivision; 115D.10; 116.48, subdivision 6; 116C.03, subdivisions 2, 4, 5; 116D.04, by adding a subdivision; 116J.437, subdivision 1; 168.1296, subdivision 1; 216E.12, subdivision 4; 223.17, by adding a subdivision; 232.22, by adding a subdivision; 239.051, by adding subdivisions; 239.791, subdivisions 1, 2a, 2b; 239.7911; 275.066; 296A.01, subdivision 19, by adding a subdivision; 473.846; Laws 2012, chapter 249, section 11; proposing coding for new law in Minnesota Statutes,

chapters 17; 18; 84; 90; 93; 115; 115A; 116C; proposing coding for new law as Minnesota Statutes, chapter 442A; repealing Minnesota Statutes 2012, sections 18.91, subdivisions 3, 5; 18B.07, subdivision 6; 90.163; 90.173; 90.41, subdivision 2; 103G.265, subdivision 2a; 115.18, subdivisions 1, 3, 4, 5, 6, 7, 8, 9, 10; 115.19; 115.20; 115.21; 115.22; 115.23; 115.24; 115.25; 115.26; 115.27; 115.28; 115.29; 115.30; 115.31; 115.32; 115.33; 115.34; 115.35; 115.36; 115.37; 239.791, subdivision 1a; Minnesota Rules, parts 7021.0010, subparts 1, 2, 4, 5; 7021.0020; 7021.0030; 7021.0040; 7021.0050, subpart 5; 9210.0300; 9210.0310; 9210.0320; 9210.0330; 9210.0340; 9210.0350; 9210.0360; 9210.0370; 9210.0380; 9220.0530, subpart 6.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 69 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Allen	Erhardt	Isaacson	Mariani	Newton	Simonson
Anzelc	Erickson, R.	Johnson, C.	Marquart	Norton	Slocum
Atkins	Falk	Johnson, S.	Masin	Paymar	Sundin
Benson, J.	Fischer	Kahn	McNamara	Pelowski	Wagenius
Bernardy	Freiberg	Laine	Melin	Persell	Ward, J.A.
Bly	Halverson	Lenczewski	Metsa	Poppe	Ward, J.E.
Brynaert	Hansen	Lesch	Moran	Radinovich	Winkler
Carlson	Hausman	Liebling	Morgan	Rosenthal	Yarusso
Clark	Hilstrom	Lien	Mullery	Savick	Spk. Thissen
Davnie	Hornstein	Lillie	Murphy, E.	Schoen	
Dehn, R.	Hortman	Loeffler	Murphy, M.	Selcer	
Dorholt	Huntley	Mahoney	Nelson	Simon	

Those who voted in the negative were:

Abeler	Dean, M.	Hackbart	Leidiger	Peppin	Uglem
Albright	Dettmer	Hamilton	Lohmer	Petersburg	Urdahl
Anderson, M.	Drazkowski	Hertaus	Loon	Pugh	Wills
Anderson, P.	Erickson, S.	Holberg	Mack	Quam	Woodard
Anderson, S.	Fabian	Hoppe	McDonald	Runbeck	Zellers
Barrett	Faust	Howe	McNamara	Sanders	Zerwas
Beard	FitzSimmons	Johnson, B.	Myhra	Sawatzky	
Benson, M.	Franson	Kelly	Newberger	Schomacker	
Cornish	Green	Kieffer	Nornes	Scott	
Dautt	Gruenhagen	Kiel	O'Driscoll	Swedzinski	
Davids	Gunther	Kresha	O'Neill	Torkelson	

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

#### REPORTS FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Murphy, E., from the Committee on Rules and Legislative Administration, pursuant to rules 1.21 and 3.33, designated the following bills to be placed on the Calendar for the Day for Saturday, April 20, 2013 and established a prefiling requirement for amendments offered to the following bills:

H. F. No. 1183; and S. F. No. 1589.

Murphy, E., from the Committee on Rules and Legislative Administration, pursuant to rules 1.21 and 3.33, designated the following bills to be placed on the Calendar for the Day for Monday, April 22, 2013 and established a prefiling requirement for amendments offered to the following bills:

H. F. Nos. 1233, 779 and 760; and S. F. No. 953.

#### CALL OF THE HOUSE LIFTED

Holberg moved that the call of the House be lifted. The motion prevailed and it was so ordered.

#### MOTIONS AND RESOLUTIONS

Dehn, R., moved that the name of Ward, J.E., be added as an author on H. F. No. 276. The motion prevailed.

Hornstein moved that the name of Allen be added as an author on H. F. No. 414. The motion prevailed.

Allen moved that the name of Slocum be added as an author on H. F. No. 1081. The motion prevailed.

Allen moved that the name of Slocum be added as an author on H. F. No. 1082. The motion prevailed.

Green moved that his name be stricken as an author on H. F. No. 1425. The motion prevailed.

Schoen moved that the name of Kieffer be added as an author on H. F. No. 1745. The motion prevailed.

#### ADJOURNMENT

Murphy, E., moved that when the House adjourns today it adjourn until 9:00 a.m., Friday, April 19, 2013. The motion prevailed.

Murphy, E., moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 9:00 a.m., Friday, April 19, 2013.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives

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JOURNAL OF THE HOUSE

[38TH DAY