

1.1 ..... moves to amend H.F. No. 2337 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "ARTICLE 1

1.4 PROPERTY TAXES

1.5 Section 1. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

1.6 Subdivision 1. **Levy amount.** (a) The state general levy is levied against  
1.7 commercial-industrial property and seasonal residential recreational property, as defined  
1.8 in this section.

1.9 (b) The state general levy base amount for commercial-industrial property is  
1.10 \$721,752,000. For taxes payable in 2013, the state general levy for commercial-industrial  
1.11 property is equal to the base amount. For taxes payable in 2014 to taxes payable in 2024,  
1.12 the levy is reduced each year from the previous year's levy amount by 8.33 percent of  
1.13 the base amount. For taxes payable in 2025 and thereafter, the state general levy for  
1.14 commercial-industrial property is \$0.

1.15 (c) The state general levy base amount for seasonal recreational property is  
1.16 ~~\$592,000,000~~ for taxes payable in 2002 ~~\$40,871,000~~. For taxes payable in subsequent  
1.17 years, the levy 2013, the state general levy for seasonal-recreational property is equal  
1.18 to the base amount ~~is increased each year by multiplying the levy base amount for~~  
1.19 ~~the prior year by the sum of one plus the rate of increase, if any, in the implicit price~~  
1.20 ~~deflator for government consumption expenditures and gross investment for state and~~  
1.21 ~~local governments prepared by the Bureau of Economic Analysts of the United States~~  
1.22 ~~Department of Commerce for the 12-month period ending March 31 of the year prior~~  
1.23 ~~to the year the taxes are payable.~~ For taxes payable in 2014 to taxes payable in 2024,  
1.24 the levy is reduced each year from the previous year's levy amount by 8.33 percent of  
1.25 the base amount. For taxes payable in 2025 and thereafter, the state general levy for  
1.26 seasonal-recreational property is \$0.

2.1           (d) The tax under this section is not treated as a local tax rate under section 469.177  
2.2 and is not the levy of a governmental unit under chapters 276A and 473F.

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

2.8           (1) an erroneous report of taxable value by a local official;

2.9           (2) an erroneous calculation by the commissioner; and

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

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

2.16           **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and  
2.17 thereafter.

2.18          Sec. 2. Minnesota Statutes 2010, section 275.025, subdivision 2, is amended to read:

2.19           Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,  
2.20 "commercial-industrial tax capacity" means the tax capacity of all taxable property  
2.21 classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding electric  
2.22 generation attached machinery under class 3 and property described in section 473.625,  
2.23 and provided that property in the first tier of value as defined in section 273.13, subdivision  
2.24 24, has a tax capacity for this purpose equal to 30 percent of its tax capacity under  
2.25 section 273.13. County commercial-industrial tax capacity amounts are not adjusted  
2.26 for the captured net tax capacity of a tax increment financing district under section  
2.27 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local  
2.28 government's total net tax capacity under section 273.425, or fiscal disparities contribution  
2.29 and distribution net tax capacities under chapter 276A or 473F.

2.30           **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and  
2.31 thereafter.

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

3.1 Subd. 4. ~~Apportionment and levy of state general tax.~~ ~~Ninety-five percent of~~ The  
3.2 state general tax must be levied by applying a uniform rate to all commercial-industrial tax  
3.3 capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform  
3.4 rate to all seasonal residential recreational tax capacity. On or before October 1 each  
3.5 year, the commissioner of revenue shall certify the preliminary state general levy rates to  
3.6 each county auditor that must be used to prepare the notices of proposed property taxes  
3.7 for taxes payable in the following year. By January 1 of each year, the commissioner  
3.8 shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be  
3.9 used in spreading taxes.

3.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and  
3.11 thereafter.

3.12 Sec. 4. Minnesota Statutes 2011 Supplement, section 290A.03, subdivision 11, is  
3.13 amended to read:

3.14 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"  
3.15 means ~~47~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion  
3.16 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right  
3.17 of occupancy of the claimant's Minnesota homestead in the calendar year, and which  
3.18 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this  
3.19 chapter by the claimant.

3.20 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
3.21 2011 and thereafter.

3.22 Sec. 5. Minnesota Statutes 2011 Supplement, section 290A.03, subdivision 13, is  
3.23 amended to read:

3.24 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
3.25 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
3.26 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
3.27 and any other state paid property tax credits in any calendar year, and after any refund  
3.28 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in  
3.29 the year that the property tax is payable. In the case of a claimant who makes ground  
3.30 lease payments, "property taxes payable" includes the amount of the payments directly  
3.31 attributable to the property taxes assessed against the parcel on which the house is located.  
3.32 No apportionment or reduction of the "property taxes payable" shall be required for the  
3.33 use of a portion of the claimant's homestead for a business purpose if the claimant does not

4.1 deduct any business depreciation expenses for the use of a portion of the homestead in the  
 4.2 determination of federal adjusted gross income. For homesteads which are manufactured  
 4.3 homes as defined in section 273.125, subdivision 8, and for homesteads which are park  
 4.4 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property  
 4.5 taxes payable" shall also include ~~17~~ 15 percent of the gross rent paid in the preceding  
 4.6 year for the site on which the homestead is located. When a homestead is owned by  
 4.7 two or more persons as joint tenants or tenants in common, such tenants shall determine  
 4.8 between them which tenant may claim the property taxes payable on the homestead. If  
 4.9 they are unable to agree, the matter shall be referred to the commissioner of revenue  
 4.10 whose decision shall be final. Property taxes are considered payable in the year prescribed  
 4.11 by law for payment of the taxes.

4.12 In the case of a claim relating to "property taxes payable," the claimant must have  
 4.13 owned and occupied the homestead on January 2 of the year in which the tax is payable  
 4.14 and (i) the property must have been classified as homestead property pursuant to section  
 4.15 273.124, on or before December 15 of the assessment year to which the "property taxes  
 4.16 payable" relate; or (ii) the claimant must provide documentation from the local assessor  
 4.17 that application for homestead classification has been made on or before December 15  
 4.18 of the year in which the "property taxes payable" were payable and that the assessor has  
 4.19 approved the application.

4.20 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
 4.21 2011 and thereafter.

4.22 Sec. 6. Minnesota Statutes 2010, section 290A.04, subdivision 2a, is amended to read:

4.23 Subd. 2a. **Renters; senior or disabled.** A claimant whose rent constituting property  
 4.24 taxes exceeds the percentage of the household income stated below must pay an amount  
 4.25 equal to the percent of income shown for the appropriate household income level along  
 4.26 with the percent to be paid by the claimant of the remaining amount of rent constituting  
 4.27 property taxes. The state refund equals the amount of rent constituting property taxes that  
 4.28 remain, up to the maximum state refund amount shown below. This subdivision applies  
 4.29 only if the claimant or the claimant's spouse was disabled or attained the age of 65 on or  
 4.30 before December 31 of the year for which the rent was paid.

				Maximum State Refund
4.31			Percent Paid by	
4.32			Claimant	
4.33	Household Income	Percent of Income		
4.34	<del>\$0 to 3,589</del>	<del>1.0 percent</del>	<del>5 percent</del>	<del>\$ 1,190</del>
4.35	<del>3,590 to 4,779</del>	<del>1.0 percent</del>	<del>10 percent</del>	<del>\$ 1,190</del>

5.1	<del>4,780 to 5,969</del>	<del>1.1 percent</del>	<del>10 percent</del>	<del>\$ 1,190</del>
5.2	<del>5,970 to 8,369</del>	<del>1.2 percent</del>	<del>10 percent</del>	<del>\$ 1,190</del>
5.3	<del>8,370 to 10,759</del>	<del>1.3 percent</del>	<del>15 percent</del>	<del>\$ 1,190</del>
5.4	<del>10,760 to 11,949</del>	<del>1.4 percent</del>	<del>15 percent</del>	<del>\$ 1,190</del>
5.5	<del>11,950 to 13,139</del>	<del>1.4 percent</del>	<del>20 percent</del>	<del>\$ 1,190</del>
5.6	<del>13,140 to 15,539</del>	<del>1.5 percent</del>	<del>20 percent</del>	<del>\$ 1,190</del>
5.7	<del>15,540 to 16,729</del>	<del>1.6 percent</del>	<del>20 percent</del>	<del>\$ 1,190</del>
5.8	<del>16,730 to 17,919</del>	<del>1.7 percent</del>	<del>25 percent</del>	<del>\$ 1,190</del>
5.9	<del>17,920 to 20,319</del>	<del>1.8 percent</del>	<del>25 percent</del>	<del>\$ 1,190</del>
5.10	<del>20,320 to 21,509</del>	<del>1.9 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
5.11	<del>21,510 to 22,699</del>	<del>2.0 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
5.12	<del>22,700 to 23,899</del>	<del>2.2 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
5.13	<del>23,900 to 25,089</del>	<del>2.4 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
5.14	<del>25,090 to 26,289</del>	<del>2.6 percent</del>	<del>35 percent</del>	<del>\$ 1,190</del>
5.15	<del>26,290 to 27,489</del>	<del>2.7 percent</del>	<del>35 percent</del>	<del>\$ 1,190</del>
5.16	<del>27,490 to 28,679</del>	<del>2.8 percent</del>	<del>35 percent</del>	<del>\$ 1,190</del>
5.17	<del>28,680 to 29,869</del>	<del>2.9 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
5.18	<del>29,870 to 31,079</del>	<del>3.0 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
5.19	<del>31,080 to 32,269</del>	<del>3.1 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
5.20	<del>32,270 to 33,459</del>	<del>3.2 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
5.21	<del>33,460 to 34,649</del>	<del>3.3 percent</del>	<del>45 percent</del>	<del>\$ 1,080</del>
5.22	<del>34,650 to 35,849</del>	<del>3.4 percent</del>	<del>45 percent</del>	<del>\$ 960</del>
5.23	<del>35,850 to 37,049</del>	<del>3.5 percent</del>	<del>45 percent</del>	<del>\$ 830</del>
5.24	<del>37,050 to 38,239</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 720</del>
5.25	<del>38,240 to 39,439</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 600</del>
5.26	<del>38,440 to 40,629</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 360</del>
5.27	<del>40,630 to 41,819</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 120</del>
5.28				<u>Maximum</u>
5.29			<u>Percent Paid by</u>	<u>State</u>
5.30	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>Refund</u>
5.31	<u>\$0 to 4,689</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 1,550</u>
5.32	<u>4,690 to 6,239</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
5.33	<u>6,240 to 7,799</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
5.34	<u>7,800 to 10,929</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
5.35	<u>10,930 to 14,049</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,550</u>
5.36	<u>14,050 to 15,609</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,550</u>
5.37	<u>15,610 to 17,159</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
5.38	<u>17,160 to 20,289</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
5.39	<u>20,290 to 21,849</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
5.40	<u>21,850 to 23,399</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,550</u>
5.41	<u>23,400 to 26,539</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,500</u>
5.42	<u>26,540 to 28,089</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,400</u>
5.43	<u>28,090 to 29,649</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,300</u>

6.1	<u>29,650 to 31,209</u>	<u>2.2 percent</u>	<u>30 percent</u>	<u>\$ 1,200</u>
6.2	<u>31,210 to 32,769</u>	<u>2.4 percent</u>	<u>30 percent</u>	<u>\$ 1,100</u>
6.3	<u>32,770 to 34,329</u>	<u>2.6 percent</u>	<u>35 percent</u>	<u>\$ 1,000</u>
6.4	<u>34,330 to 35,899</u>	<u>2.7 percent</u>	<u>35 percent</u>	<u>\$ 1,000</u>
6.5	<u>35,900 to 37,449</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$ 750</u>
6.6	<u>37,450 to 39,009</u>	<u>2.9 percent</u>	<u>40 percent</u>	<u>\$ 500</u>
6.7	<u>39,010 to 39,999</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 250</u>

6.8 The payment made to a claimant is the amount of the state refund calculated under  
6.9 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~  
6.10 \$40,000 or more.

6.11 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
6.12 2011 and thereafter.

6.13 Sec. 7. Minnesota Statutes 2010, section 290A.04, is amended by adding a subdivision  
6.14 to read:

6.15 Subd. 2k. **Renters; nonsenior nondisabled.** A claimant whose rent constituting  
6.16 property taxes exceeds the percentage of the household income stated below must pay  
6.17 an amount equal to the percent of income shown for the appropriate household income  
6.18 level along with the percent to be paid by the claimant of the remaining amount of rent  
6.19 constituting property taxes. The state refund equals the amount of rent constituting  
6.20 property taxes that remain, up to the maximum state refund amount shown below. This  
6.21 subdivision applies only if the claimant or the claimant's spouse is not eligible for a refund  
6.22 under subdivision 2a.

6.23			<u>Percent Paid by</u>	<u>Maximum</u>
6.24	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>State</u>
6.25				<u>Refund</u>
6.26	<u>\$0 to 6,239</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 1,000</u>
6.27	<u>6,240 to 7,799</u>	<u>1.1 percent</u>	<u>20 percent</u>	<u>\$ 1,000</u>
6.28	<u>7,800 to 10,929</u>	<u>1.2 percent</u>	<u>20 percent</u>	<u>\$ 900</u>
6.29	<u>10,930 to 14,049</u>	<u>1.3 percent</u>	<u>25 percent</u>	<u>\$ 800</u>
6.30	<u>14,050 to 15,609</u>	<u>1.4 percent</u>	<u>25 percent</u>	<u>\$ 800</u>
6.31	<u>15,610 to 17,159</u>	<u>1.4 percent</u>	<u>30 percent</u>	<u>\$ 600</u>
6.32	<u>17,160 to 20,289</u>	<u>1.5 percent</u>	<u>30 percent</u>	<u>\$ 600</u>
6.33	<u>20,290 to 21,849</u>	<u>1.6 percent</u>	<u>35 percent</u>	<u>\$ 400</u>
6.34	<u>21,850 to 23,399</u>	<u>1.7 percent</u>	<u>35 percent</u>	<u>\$ 400</u>
6.35	<u>23,400 to 24,999</u>	<u>1.8 percent</u>	<u>40 percent</u>	<u>\$ 200</u>

7.1 The payment made to a claimant is the amount of the state refund calculated under  
 7.2 this subdivision. No payment is allowed if the claimant's household income is \$25,000  
 7.3 or more.

7.4 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
 7.5 2011 and thereafter.

7.6 Sec. 8. Minnesota Statutes 2011 Supplement, section 290A.04, subdivision 4, is  
 7.7 amended to read:

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

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

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

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

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

7.31 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
 7.32 2012 and thereafter.

7.33 Sec. 9. Minnesota Statutes 2010, section 290A.23, subdivision 1, is amended to read:

8.1 Subdivision 1. **Renters credit.** There is appropriated from the general fund in the  
8.2 state treasury to the commissioner of revenue the amount necessary to make the payments  
8.3 required under section 290A.04, ~~subdivision 2a~~ subdivisions 2a and 2k.

8.4 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
8.5 2011 and thereafter.

8.6 Sec. 10. Minnesota Statutes 2010, section 290B.07, is amended to read:

8.7 **290B.07 LIEN; DEFERRED PORTION.**

8.8 (a) Payment by the state to the county treasurer of property taxes, penalties, interest,  
8.9 or special assessments and interest deferred under this chapter is deemed a loan from the  
8.10 state to the program participant. The commissioner must ~~compute the interest as provided~~  
8.11 ~~in section 270C.40, subdivision 5, but not to exceed five percent, and~~ maintain records of  
8.12 the total deferred amount and interest, if any, for each participant. ~~Interest shall accrue~~  
8.13 ~~beginning September 1 of the payable year for which the taxes are deferred.~~ Any deferral  
8.14 made under this chapter shall not be construed as delinquent property taxes.

8.15 (b) The lien created under section 272.31 continues to secure payment by the  
8.16 taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including  
8.17 interest, with respect to all years for which amounts are deferred. The lien for deferred  
8.18 taxes and interest has the same priority as any other lien under section 272.31, except that  
8.19 liens, including mortgages, recorded or filed prior to the recording or filing of the notice  
8.20 under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and  
8.21 interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the  
8.22 purchaser or an assignee of the purchaser, has priority over deferred taxes and interest  
8.23 on deferred taxes, regardless of whether the contract for deed is recorded or filed. The  
8.24 lien for deferred taxes and interest for future years has the same priority as the lien for  
8.25 deferred taxes and interest for the first year, which is always higher in priority than any  
8.26 mortgages or other liens filed, recorded, or created after the notice recorded or filed under  
8.27 section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records  
8.28 of the deferred portion and shall list the amount of deferred taxes for the year and the  
8.29 cumulative deferral and interest for all previous years as a lien against the property. In any  
8.30 certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish  
8.31 between taxes payable in the current year, deferred taxes and interest, and delinquent  
8.32 taxes. Payment of the deferred portion becomes due and owing at the time specified in  
8.33 section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for  
8.34 it to the person making the payment upon request and shall notify the auditor of the county

9.1 in which the parcel is located, within ten days, identifying the parcel to which the payment  
9.2 applies. Upon receipt by the commissioner of revenue of collected funds in the amount of  
9.3 the deferral, the state's loan to the program participant is deemed paid in full.

9.4 ~~(b)~~ (c) If property for which taxes have been deferred under this chapter forfeits  
9.5 under chapter 281 for nonpayment of a nondeferred property tax amount, or because  
9.6 of nonpayment of amounts previously deferred following a termination under section  
9.7 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be  
9.8 canceled by the county auditor as provided in section 282.07. However, notwithstanding  
9.9 any other law to the contrary, any proceeds from a subsequent sale of the property under  
9.10 chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale  
9.11 fund for any direct costs of selling the property or any costs directly related to preparing  
9.12 the property for sale, and then to reimburse the state for the amount of the canceled  
9.13 lien. Within 90 days of the receipt of any sale proceeds to which the state is entitled  
9.14 under these provisions, the county auditor must pay those funds to the commissioner of  
9.15 revenue by warrant for deposit in the general fund. No other deposit, use, distribution,  
9.16 or release of gross sale proceeds or receipts may be made by the county until payments  
9.17 sufficient to fully reimburse the state for the canceled lien amount have been transmitted  
9.18 to the commissioner.

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

9.20 Sec. 11. Minnesota Statutes 2010, section 290B.08, subdivision 2, is amended to read:

9.21 Subd. 2. **Payment upon termination.** Upon the termination of the deferral under  
9.22 subdivision 1, the amount of deferred taxes, penalties, interest, and special assessments  
9.23 and interest, plus the recording or filing fees under both section 290B.04, subdivision 2,  
9.24 and this subdivision becomes due and payable to the commissioner within 90 days of  
9.25 termination of the deferral for terminations under subdivision 1, paragraph (a), clauses  
9.26 (1) and (2), and within one year of termination of the deferral for terminations under  
9.27 subdivision 1, paragraph (a), clauses (3) and (4). ~~No additional interest is due on the~~  
9.28 ~~deferral if timely paid.~~ On receipt of payment, the commissioner shall within ten days  
9.29 notify the auditor of the county in which the parcel is located, identifying the parcel  
9.30 to which the payment applies and shall remit the recording or filing fees under section  
9.31 290B.04, subdivision 2, and this subdivision to the auditor. A notice of termination of  
9.32 deferral, containing the legal description and the recording or filing data for the notice  
9.33 of qualification for deferral under section 290B.04, subdivision 2, shall be prepared  
9.34 and recorded or filed by the county auditor in the same office in which the notice of  
9.35 qualification for deferral under section 290B.04, subdivision 2, was recorded or filed, and

10.1 the county auditor shall mail a copy of the notice of termination to the property owner.  
10.2 The property owner shall pay the recording or filing fees. Upon recording or filing of the  
10.3 notice of termination of deferral, the notice of qualification for deferral under section  
10.4 290B.04, subdivision 2, and the lien created by it are discharged. If the deferral is not  
10.5 timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of  
10.6 ad valorem property taxes apply.

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

10.8 Sec. 12. Minnesota Statutes 2010, section 477A.011, subdivision 36, is amended to  
10.9 read:

10.10 Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision,  
10.11 "city aid base" is zero.

10.12 (b) The city aid base for any city with a population less than 500 is increased by  
10.13 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount  
10.14 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also  
10.15 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

10.16 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

10.17 (ii) the city portion of the tax capacity rate exceeds 100 percent; and

10.18 (iii) its city aid base is less than \$60 per capita.

10.19 (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and  
10.20 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
10.21 paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

10.22 (i) the city has a population in 1994 of 2,500 or more;

10.23 (ii) the city is located in a county, outside of the metropolitan area, which contains a  
10.24 city of the first class;

10.25 (iii) the city's net tax capacity used in calculating its 1996 aid under section  
10.26 477A.013 is less than \$400 per capita; and

10.27 (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of  
10.28 property located in the city is classified as railroad property.

10.29 (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and  
10.30 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
10.31 paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

10.32 (i) the city was incorporated as a statutory city after December 1, 1993;

10.33 (ii) its city aid base does not exceed \$5,600; and

10.34 (iii) the city had a population in 1996 of 5,000 or more.

11.1 (e) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and  
11.2 thereafter, and the maximum amount of total aid it may receive under section 477A.013,  
11.3 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,  
11.4 provided that:

11.5 (1) the city has a population that is greater than 1,000 and less than 2,500;

11.6 (2) its commercial and industrial percentage for aids payable in 1999 is greater  
11.7 than 45 percent; and

11.8 (3) the total market value of all commercial and industrial property in the city  
11.9 for assessment year 1999 is at least 15 percent less than the total market value of all  
11.10 commercial and industrial property in the city for assessment year 1998.

11.11 (f) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and  
11.12 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
11.13 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

11.14 (1) the city had a population in 1997 of 2,500 or more;

11.15 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
11.16 477A.013 is less than \$650 per capita;

11.17 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under  
11.18 section 477A.013 is greater than 12 percent;

11.19 (4) the 1999 local government aid of the city under section 477A.013 is less than  
11.20 20 percent of the amount that the formula aid of the city would have been if the need  
11.21 increase percentage was 100 percent; and

11.22 (5) the city aid base of the city used in calculating aid under section 477A.013  
11.23 is less than \$7 per capita.

11.24 (g) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and  
11.25 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
11.26 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

11.27 (1) the city has a population in 1997 of 2,000 or more;

11.28 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
11.29 477A.013 is less than \$455 per capita;

11.30 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is  
11.31 greater than \$195 per capita; and

11.32 (4) the 1999 local government aid of the city under section 477A.013 is less than  
11.33 38 percent of the amount that the formula aid of the city would have been if the need  
11.34 increase percentage was 100 percent.

12.1 (h) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and  
12.2 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
12.3 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

12.4 (1) the city has a population in 1998 that is greater than 200 but less than 500;

12.5 (2) the city's revenue need used in calculating aids payable in 2000 was greater  
12.6 than \$200 per capita;

12.7 (3) the city net tax capacity for the city used in calculating aids available in 2000  
12.8 was equal to or less than \$200 per capita;

12.9 (4) the city aid base of the city used in calculating aid under section 477A.013  
12.10 is less than \$65 per capita; and

12.11 (5) the city's formula aid for aids payable in 2000 was greater than zero.

12.12 (i) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and  
12.13 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
12.14 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

12.15 (1) the city had a population in 1998 that is greater than 200 but less than 500;

12.16 (2) the city's commercial industrial percentage used in calculating aids payable in  
12.17 2000 was less than ten percent;

12.18 (3) more than 25 percent of the city's population was 60 years old or older according  
12.19 to the 1990 census;

12.20 (4) the city aid base of the city used in calculating aid under section 477A.013  
12.21 is less than \$15 per capita; and

12.22 (5) the city's formula aid for aids payable in 2000 was greater than zero.

12.23 (j) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and  
12.24 by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of  
12.25 total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also  
12.26 increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002  
12.27 only, provided that:

12.28 (1) the net tax capacity of the city used in calculating its 2000 aid under section  
12.29 477A.013 is less than \$810 per capita;

12.30 (2) the population of the city declined more than two percent between 1988 and 1998;

12.31 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is  
12.32 greater than \$240 per capita; and

12.33 (4) the city received less than \$36 per capita in aid under section 477A.013,  
12.34 subdivision 9, for aids payable in 2000.

12.35 (k) The city aid base for a city with a population of 10,000 or more which is located  
12.36 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the

13.1 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
13.2 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to  
13.3 the lesser of:

13.4 (1)(i) the total population of the city, as determined by the United States Bureau of  
13.5 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

13.6 (2) \$2,500,000.

13.7 (l) The city aid base is increased by \$50,000 in 2002 and thereafter, and the  
13.8 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
13.9 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

13.10 (1) the city is located in the seven-county metropolitan area;

13.11 (2) its population in 2000 is between 10,000 and 20,000; and

13.12 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,  
13.13 was greater than 25 percent.

13.14 (m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to  
13.15 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum  
13.16 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is  
13.17 also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year  
13.18 2009 only, provided that:

13.19 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

13.20 (2) its home county is located within the seven-county metropolitan area;

13.21 (3) its pre-1940 housing percentage is less than 15 percent; and

13.22 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900  
13.23 per capita.

13.24 (n) The city aid base for a city is increased by \$200,000 beginning in calendar  
13.25 year 2003 and the maximum amount of total aid it may receive under section 477A.013,  
13.26 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,  
13.27 provided that the city qualified for an increase in homestead and agricultural credit aid  
13.28 under Laws 1995, chapter 264, article 8, section 18.

13.29 (o) The city aid base for a city is increased by \$200,000 in 2004 only and the  
13.30 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is  
13.31 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear  
13.32 dry cask storage facility.

13.33 (p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the  
13.34 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
13.35 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster

14.1 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by  
14.2 more than 40 percent between 1990 and 2000.

14.3 (q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the  
14.4 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
14.5 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000  
14.6 and has a state park for which the city provides rescue services and which comprised at  
14.7 least 14 percent of the total geographic area included within the city boundaries in 2000.

14.8 (r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and  
14.9 the minimum and maximum amount of total aid it may receive under section 477A.013,  
14.10 subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:

14.11 (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed  
14.12 to be placed in trust status as tax-exempt Indian land;

14.13 (2) the placement of the land is being challenged administratively or in court; and

14.14 (3) due to the challenge, the land proposed to be placed in trust is still on the tax  
14.15 rolls as of May 1, 2006.

14.16 (s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and  
14.17 the minimum and maximum total amount of aid it may receive under this section is also  
14.18 increased in calendar year 2007 only, provided that:

14.19 (1) the city has a 2004 estimated population greater than 200 but less than 2,000;

14.20 (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

14.21 (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids  
14.22 payable in 2006 was greater than 110 percent; and

14.23 (4) it is located in a county where at least 15,000 acres of land are classified as  
14.24 tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

14.25 (t) The city aid base for a city is increased by \$30,000 in 2009 only, and the  
14.26 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
14.27 by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than  
14.28 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities  
14.29 and one township in 2002.

14.30 (u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and  
14.31 the maximum total aid it may receive under section 477A.013, subdivision 9, is also  
14.32 increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for  
14.33 aids payable in 2007 of less than \$150 per capita and the city experienced flooding on  
14.34 March 14, 2007, that resulted in evacuation of at least 40 homes.

15.1 (v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the  
15.2 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
15.3 by \$100,000 in calendar year 2009 only, if the city:

15.4 (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical  
15.5 area;

15.6 (2) has a 2005 population greater than 7,000 but less than 8,000; and

15.7 (3) has a 2005 net tax capacity per capita of less than \$500.

15.8 (w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the  
15.9 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is  
15.10 increased by \$25,000 in calendar year 2009 only, provided that:

15.11 (1) the city is located in the seven-county metropolitan area;

15.12 (2) its population in 2006 is less than 200; and

15.13 (3) the percentage of its housing stock built before 1940, according to the 2000  
15.14 United States Census, is greater than 40 percent.

15.15 (x) The city aid base is increased by \$90,000 in calendar year 2009 only and the  
15.16 minimum and maximum total amount of aid it may receive under section 477A.013,  
15.17 subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the  
15.18 city is located in the seven-county metropolitan area, has a 2006 population between 5,000  
15.19 and 7,000 and has a 1997 population of over 7,000.

15.20 (y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if  
15.21 it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes  
15.22 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment  
15.23 under that paragraph in December 2008 was canceled due to the governor's unallotment.  
15.24 The payment under this paragraph is not subject to any aid reductions under section  
15.25 477A.0134 or any future unallotment of the city aid under section 16A.152.

15.26 ~~(z) The city aid base and the maximum total aid the city may receive under section~~  
15.27 ~~477A.013, subdivision 9, is increased by \$25,000 in calendar year 2010 only if:~~

15.28 ~~(1) the city is a first class city in the seven-county metropolitan area with a~~  
15.29 ~~population below 300,000; and~~

15.30 ~~(2) the city has made an equivalent grant to its local growers' association to~~  
15.31 ~~reimburse up to \$1,000 each for membership fees and retail leases for members of the~~  
15.32 ~~association who farm in and around Dakota County and who incurred crop damage as a~~  
15.33 ~~result of the hail storm in that area on July 10, 2008.~~

15.34 ~~The payment under this paragraph is not subject to any aid reductions under section~~  
15.35 ~~477A.0134 or any future unallotment of the city aid under section 16A.152.~~

16.1 ~~(aa) The city aid base for a city is increased by \$106,964 in 2011 only and the~~  
16.2 ~~minimum and maximum amount of total aid it may receive under section 477A.013,~~  
16.3 ~~subdivision 9, is also increased by \$106,964 in calendar year 2011 only, if the city had a~~  
16.4 ~~population as defined in Minnesota Statutes, section 477A.011, subdivision 3, that was in~~  
16.5 ~~excess of 1,000 in 2007 and that was less than 1,000 in 2008.~~

16.6 (z) In calendar year 2013 only, the city aid base and the maximum total aid the city  
16.7 may receive under section 477A.013, subdivision 9, is increased by \$12,000 if:

16.8 (1) the city's 2010 population is less than 100 and its population growth between  
16.9 2000 and 2010 was more than 55 percent; and

16.10 (2) its commercial industrial percentage as defined in subdivision 32, based on  
16.11 assessments for calendar year 2010, payable in 2011, is greater than 15 percent.

16.12 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
16.13 2013 and thereafter.

16.14 Sec. 13. Minnesota Statutes 2011 Supplement, section 477A.013, subdivision 9,  
16.15 is amended to read:

16.16 Subd. 9. **City aid distribution.** (a) In calendar year 2013 only, each city will  
16.17 receive an aid distribution equal to its aid distribution in 2012 under this section plus  
16.18 the additional city aid base authorized in calendar year 2013 under section 477A.011,  
16.19 subdivision 36, paragraph (z). In calendar year ~~2009~~ 2014 and thereafter, each city shall  
16.20 receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8,  
16.21 and (2) its city aid base.

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

16.27 (c) For aids payable in ~~2010~~ 2014 and thereafter, the total aid for any city shall  
16.28 not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid  
16.29 distribution plus (2) its total aid in the previous year. For aids payable in ~~2009~~ 2014 and  
16.30 thereafter, the total aid for any city with a population of 2,500 or more may not be less  
16.31 than its total aid under this section in the previous year minus the lesser of \$10 multiplied  
16.32 by its population, or ten percent of its net levy in the year prior to the aid distribution.

16.33 (d) For aids payable in ~~2010~~ 2014 and thereafter, the total aid for a city with a  
16.34 population less than 2,500 must not be less than the amount it was certified to receive in  
16.35 the previous year minus the lesser of \$10 multiplied by its population, or five percent of its

17.1 2003 certified aid amount. ~~For aids payable in 2009 only, the total aid for a city with a~~  
 17.2 ~~population less than 2,500 must not be less than what it received under this section in the~~  
 17.3 ~~previous year unless its total aid in calendar year 2008 was aid under section 477A.011,~~  
 17.4 ~~subdivision 36, paragraph (s), in which case its minimum aid is zero.~~

17.5 (e) A city's aid loss under this section may not exceed \$300,000 in any year in  
 17.6 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or  
 17.7 greater than the appropriation under that subdivision in the previous year, unless the  
 17.8 city has an adjustment in its city net tax capacity under the process described in section  
 17.9 469.174, subdivision 28.

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

17.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 17.17 2013 and thereafter.

17.18 Sec. 14. Minnesota Statutes 2011 Supplement, section 477A.03, subdivision 2a,  
 17.19 is amended to read:

17.20 Subd. 2a. **Cities.** For aids payable in ~~2013~~ 2014 and thereafter, the total aid paid  
 17.21 under section 477A.013, subdivision 9, is \$426,438,012.

17.22 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 17.23 2013 and thereafter.

17.24 Sec. 15. **ADDITIONAL AID PAYMENT IN 2012 FOR CERTAIN CITIES.**

17.25 For calendar year 2012 only, a city shall receive a onetime payment of \$12,000 if:  
 17.26 (1) the city's 2010 population is less than 100 and its population growth between 2000 and  
 17.27 2010 was more than 55 percent; and (2) its commercial industrial percentage as defined in  
 17.28 subdivision 32, based on assessments for calendar year 2010, payable 2011, is greater than  
 17.29 15 percent. The aid paid under this section shall be paid on the same schedule as aid paid  
 17.30 under sections 477A.011 to 477A.03. The amount necessary to make the payment under  
 17.31 this section shall be appropriated from the general fund in fiscal year 2013.

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

18.1       Sec. 16. **SUPPLEMENTAL TARGETING REFUND FOR TAXES PAYABLE IN**  
18.2 **2012 ONLY.**

18.3           Subdivision 1. **Determination of supplemental refund.** (a) For property tax refund  
18.4 claims under Minnesota Statutes, section 290A.04, subdivision 2h, based upon property  
18.5 taxes payable in 2012, the state must pay a supplemental refund such that the combined  
18.6 amount of the regular refund under Minnesota Statutes, section 290A.04, subdivision 2h,  
18.7 and the supplemental refund is equal to 90 percent of the increase over the greater of (1) 12  
18.8 percent of the payable 2011 property taxes, or (2) \$100. The maximum combined refund  
18.9 under Minnesota Statutes, section 290A.04, subdivision 2h, and this section is \$1,000.

18.10          (b) The supplemental refund amount must be determined by the commissioner of  
18.11 revenue based upon the information submitted with the claim for the regular refund and  
18.12 must be combined with the regular refund for payment.

18.13          (c) Any supplemental refund paid under this section must be subtracted from  
18.14 "property taxes payable" for the purposes of determining any refund amount under  
18.15 Minnesota Statutes, section 290A.04, subdivision 2, based upon property taxes payable  
18.16 in 2012.

18.17          (d) Any supplemental refund paid under this section must be subtracted from  
18.18 "property taxes payable" for taxes payable in 2012 for the purposes of determining any  
18.19 refund amount under Minnesota Statutes, section 290A.04, subdivision 2h, based upon  
18.20 property taxes payable in 2013.

18.21          Subd. 2. **Appropriation.** The amount necessary to make the payments required  
18.22 under this section is appropriated to the commissioner of revenue from the general fund  
18.23 for fiscal years 2013 and 2014.

18.24          **EFFECTIVE DATE.** This section is effective for refund claims based on taxes  
18.25 payable in 2012 only.

18.26       Sec. 17. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2012.**

18.27           In administering this bill for claims for refunds submitted using 17 percent of gross  
18.28 rent as rent constituting property taxes under prior law, the commissioner shall recalculate  
18.29 and pay the refund amounts using 15 percent of gross rent, subject to the reduced  
18.30 maximum income limits, maximum refunds, and increased co-payment percentages in  
18.31 this bill. The commissioner shall notify the claimant that the recalculation was mandated  
18.32 by action of the 2012 legislature.

19.1 **ARTICLE 2**19.2 **INCOME AND CORPORATE FRANCHISE TAXES**

19.3 Section 1. Minnesota Statutes 2011 Supplement, section 116J.8737, subdivision 1,  
19.4 is amended to read:

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

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

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

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

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

19.15 (1) \$10,000 in a calendar year by a qualified investor; or

19.16 (2) \$30,000 in a calendar year by a qualified fund.

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

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

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

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

19.31 **EFFECTIVE DATE.** This section is effective for qualified small businesses  
19.32 certified after June 30, 2012, except that the provision striking paragraph (h) is effective  
19.33 the day following final enactment.

20.1 Sec. 2. Minnesota Statutes 2011 Supplement, section 116J.8737, subdivision 2, is  
20.2 amended to read:

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

20.11 (b) Within 30 days of receiving an application for certification under this subdivision,  
20.12 the commissioner must either certify the business as satisfying the conditions required of a  
20.13 qualified small business, request additional information from the business, or reject the  
20.14 application for certification. If the commissioner requests additional information from the  
20.15 business, the commissioner must either certify the business or reject the application within  
20.16 30 days of receiving the additional information. If the commissioner neither certifies the  
20.17 business nor rejects the application within 30 days of receiving the original application or  
20.18 within 30 days of receiving the additional information requested, whichever is later, then  
20.19 the application is deemed rejected, and the commissioner must refund the \$150 application  
20.20 fee. A business that applies for certification and is rejected may reapply.

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

20.22 (1) the business has its headquarters in Minnesota;

20.23 (2) at least 51 percent of the business's employees are employed in Minnesota, and  
20.24 51 percent of the business's total payroll is paid or incurred in the state;

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

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

20.29 (ii) researching or developing a proprietary product, process, or service in a qualified  
20.30 high-technology field; or

20.31 (iii) researching, developing, or producing a new proprietary technology for use in  
20.32 the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;

20.33 (4) other than the activities specifically listed in clause (3), the business is not  
20.34 engaged in real estate development, insurance, banking, lending, lobbying, political  
20.35 consulting, information technology consulting, wholesale or retail trade, leisure,  
20.36 hospitality, transportation, construction, ethanol production from corn, or professional

21.1 services provided by attorneys, accountants, business consultants, physicians, or health  
21.2 care consultants;

21.3 (5) the business has fewer than 25 employees;

21.4 (6) the business ~~must pay its employees annual wages of at least 175 percent of the~~  
21.5 ~~federal poverty guideline for the year for a family of four and must pay its interns annual~~  
21.6 ~~wages of at least 175 percent of the federal minimum wage used for federally covered~~  
21.7 ~~employers, except that this requirement must be reduced proportionately for employees~~  
21.8 ~~and interns who work less than full-time, and does not apply to an executive, officer, or~~  
21.9 ~~member of the board of the business, or to any employee who owns, controls, or holds~~  
21.10 ~~power to vote more than 20 percent of the outstanding securities of the business~~ has not  
21.11 issued securities that are traded on a public exchange;

21.12 (7) the business has not been in operation for more than ten years;

21.13 (8) the business has not previously received private equity investments of more  
21.14 than \$4,000,000; and

21.15 (9) the business is not an entity disqualified under section 80A.50, paragraph (b),  
21.16 clause (3).

21.17 (d) ~~In applying the limit~~ determining whether a business satisfies the conditions  
21.18 under paragraph (c), clause (5), the employees in all members clauses (1) to (9), for a  
21.19 business that is or was a member or part, during the current or prior three taxable years, of  
21.20 the a unitary business, as defined in section 290.17, subdivision 4, must be included the  
21.21 entire unitary business must satisfy each of the conditions.

21.22 (e) In order for a qualified investment in a business to be eligible for tax credits;

21.23 (1) the business must have applied for and received certification for the calendar  
21.24 year in which the investment was made prior to the date on which the qualified investment  
21.25 was made;

21.26 (2) the business must not have issued securities that are traded on a public exchange;

21.27 (3) the business must not have issued securities that are traded on a public exchange  
21.28 within 180 days after the date on which the qualified investment was made; and

21.29 (4) the business must not have converted the qualified investment for cash, cash and  
21.30 other consideration, or any other form of equity or a debt interest within 180 days after the  
21.31 date on which the qualified investment was made.

21.32 (f) The commissioner must maintain a list of businesses certified under this  
21.33 subdivision for the calendar year and make the list accessible to the public on the  
21.34 department's Web site.

21.35 (g) For purposes of this subdivision, the following terms have the meanings given:

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

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

22.10 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
22.11 except the amendment to paragraph (e) is effective for qualified small businesses certified  
22.12 after June 30, 2012.

22.13 Sec. 3. Minnesota Statutes 2010, section 116J.8737, subdivision 5, is amended to read:

22.14 Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for  
22.15 a credit equal to 25 percent of the qualified investment in a qualified small business.  
22.16 Investments made by a pass-through entity qualify for a credit only if the entity is a  
22.17 qualified fund. The commissioner must not allocate more than \$11,000,000 in credits to  
22.18 qualified investors or qualified funds for taxable years beginning after December 31, 2009,  
22.19 and before January 1, 2011, ~~and~~ must not allocate more than \$12,000,000 in credits per  
22.20 year for taxable years beginning after December 31, 2010, and before January 1, ~~2015~~  
22.21 2012, and must not allocate more than \$17,000,000 in credits per year for taxable years  
22.22 beginning after December 31, 2011, and before January 1, 2015. Any portion of a taxable  
22.23 year's credits that is not allocated by the commissioner does not cancel and may be carried  
22.24 forward to subsequent taxable years until all credits have been allocated.

22.25 (b) The commissioner may not allocate more than a total maximum amount in credits  
22.26 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
22.27 as an individual qualified investor and as an investor in a qualified fund; for married  
22.28 couples filing joint returns the maximum is \$250,000, and for all other filers the maximum  
22.29 is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
22.30 over all taxable years for qualified investments in any one qualified small business.

22.31 (c) The commissioner may not allocate a credit to a qualified investor either as an  
22.32 individual qualified investor or as an investor in a qualified fund if the investor receives  
22.33 more than 50 percent of the investor's gross annual income from the qualified small  
22.34 business in which the qualified investment is proposed. A member of the family of an  
22.35 individual disqualified by this paragraph is not eligible for a credit under this section. For

23.1 a married couple filing a joint return, the limitations in this paragraph apply collectively  
23.2 to the investor and spouse. For purposes of determining the ownership interest of an  
23.3 investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal  
23.4 Revenue Code apply.

23.5 (d) Applications for tax credits for 2010 must be made available on the department's  
23.6 Web site by September 1, 2010, and the department must begin accepting applications  
23.7 by September 1, 2010. Applications for subsequent years must be made available by  
23.8 November 1 of the preceding year.

23.9 (e) Qualified investors and qualified funds must apply to the commissioner for tax  
23.10 credits. Tax credits must be allocated to qualified investors or qualified funds in the order  
23.11 that the tax credit request applications are filed with the department. The commissioner  
23.12 must approve or reject tax credit request applications within 15 days of receiving the  
23.13 application. The investment specified in the application must be made within 60 days of  
23.14 the allocation of the credits. If the investment is not made within 60 days, the credit  
23.15 allocation is canceled and available for reallocation. A qualified investor or qualified fund  
23.16 that fails to invest as specified in the application, within 60 days of allocation of the  
23.17 credits, must notify the commissioner of the failure to invest within five business days of  
23.18 the expiration of the 60-day investment period.

23.19 (f) All tax credit request applications filed with the department on the same day must  
23.20 be treated as having been filed contemporaneously. If two or more qualified investors or  
23.21 qualified funds file tax credit request applications on the same day, and the aggregate  
23.22 amount of credit allocation claims exceeds the aggregate limit of credits under this section  
23.23 or the lesser amount of credits that remain unallocated on that day, then the credits must  
23.24 be allocated among the qualified investors or qualified funds who filed on that day on a  
23.25 pro rata basis with respect to the amounts claimed. The pro rata allocation for any one  
23.26 qualified investor or qualified fund is the product obtained by multiplying a fraction,  
23.27 the numerator of which is the amount of the credit allocation claim filed on behalf of  
23.28 a qualified investor and the denominator of which is the total of all credit allocation  
23.29 claims filed on behalf of all applicants on that day, by the amount of credits that remain  
23.30 unallocated on that day for the taxable year.

23.31 (g) A qualified investor or qualified fund, or a qualified small business acting on their  
23.32 behalf, must notify the commissioner when an investment for which credits were allocated  
23.33 has been made, and the taxable year in which the investment was made. A qualified fund  
23.34 must also provide the commissioner with a statement indicating the amount invested by  
23.35 each investor in the qualified fund based on each investor's share of the assets of the  
23.36 qualified fund at the time of the qualified investment. After receiving notification that the

24.1 investment was made, the commissioner must issue credit certificates for the taxable year  
24.2 in which the investment was made to the qualified investor or, for an investment made by  
24.3 a qualified fund, to each qualified investor who is an investor in the fund. The certificate  
24.4 must state that the credit is subject to revocation if the qualified investor or qualified  
24.5 fund does not hold the investment in the qualified small business for at least three years,  
24.6 consisting of the calendar year in which the investment was made and the two following  
24.7 years. The three-year holding period does not apply if:

24.8 (1) the investment by the qualified investor or qualified fund becomes worthless  
24.9 before the end of the three-year period;

24.10 (2) 80 percent or more of the assets of the qualified small business is sold before  
24.11 the end of the three-year period;

24.12 (3) the qualified small business is sold before the end of the three-year period; or

24.13 (4) the qualified small business's common stock begins trading on a public exchange  
24.14 before the end of the three-year period.

24.15 (h) The commissioner must notify the commissioner of revenue of credit certificates  
24.16 issued under this section.

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

24.19 Sec. 4. Minnesota Statutes 2010, section 116J.8737, subdivision 8, is amended to read:

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

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

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

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

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

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

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

25.5 (b) The following data, including data classified as nonpublic or private, must be  
25.6 provided to the consultant for use in conducting the program evaluation under subdivision  
25.7 10:

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

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

25.14 **EFFECTIVE DATE.** This section is effective for businesses requesting certification  
25.15 starting on the day following final enactment.

25.16 Sec. 5. **[116J.8738] TECHNOLOGY CORPORATE FRANCHISE TAX**  
25.17 **CERTIFICATE TRANSFER PROGRAM.**

25.18 **Subdivision 1. Program established.** The commissioner shall establish a corporate  
25.19 franchise tax benefit certificate transfer program to allow new or expanding biotechnology  
25.20 companies in this state with unused net operating loss carryovers under section 290.095 to  
25.21 surrender those tax benefits for use by other corporate franchise taxpayers in this state.  
25.22 The tax benefits may be used on the corporate franchise tax returns to be filed by those  
25.23 taxpayers in exchange for private financial assistance to be provided by the corporate  
25.24 franchise taxpayer that is the recipient of the tax benefit certificate to assist in the funding  
25.25 of costs incurred by the new or expanding biotechnology company.

25.26 **Subd. 2. Definitions.** (a) For purposes of this section, the following terms have the  
25.27 meanings given, unless the context clearly requires otherwise.

25.28 (b) "Biotechnology" means the continually expanding body of fundamental  
25.29 knowledge about the functioning of biological systems from the macro level to the  
25.30 molecular and subatomic levels, as well as novel products, services, technologies, and  
25.31 subtechnologies developed as a result of insights gained from research advances that add  
25.32 to that body of fundamental knowledge.

25.33 (c) "Biotechnology company" means a corporation that:

25.34 (1) has its headquarters or base of operations and at least one-half of its full-time  
25.35 employees in this state;

26.1 (2) owns, has filed for, or has a valid license to use protected, proprietary intellectual  
26.2 property;

26.3 (3) is engaged in the research, development, production, or provision of  
26.4 biotechnology for the purpose of developing or providing products or processes for  
26.5 specific commercial or public purposes, including but not limited to, medical, medical  
26.6 device, pharmaceutical, nutritional, and other health-related purposes, agricultural  
26.7 purposes, and environmental purposes; and

26.8 (4) has received, at least, \$2,500,000 of private investments, whether in the form of  
26.9 equity or debt.

26.10 (d) "Full-time employee" means a person employed by a new or expanding  
26.11 biotechnology company for consideration for at least 35 hours a week, or who renders  
26.12 any other standard of service generally accepted by custom or practice as full-time  
26.13 employment and whose wages are subject to withholding as provided in section 290.92,  
26.14 or who is a partner of a new or expanding biotechnology company who works for the  
26.15 partnership for at least 35 hours a week, or who renders any other standard of service  
26.16 generally accepted by custom or practice as full-time employment, and whose distributive  
26.17 share of income, gain, loss, or deduction, or whose guaranteed payments, or any  
26.18 combination thereof, is subject to the payment of estimated taxes, as provided in section  
26.19 289A.25. To qualify as a full-time employee, an employee must also receive from the  
26.20 new or expanding biotechnology company group health benefits under a health plan as  
26.21 defined under section 62A.011, subdivision 3, or under a self-insured employee welfare  
26.22 benefit plan as defined in United States Code, title 29, section 1002. Full-time employee  
26.23 excludes any person who works as an independent contractor or on a consulting basis for  
26.24 the new or expanding biotechnology company.

26.25 (e) "Maximum annual credit limit" means the following amount of tax benefits for  
26.26 the specified fiscal years:

26.27 (1) for fiscal years 2013 and 2014, \$15,000,000;

26.28 (2) for fiscal years 2015 and 2016, \$30,000,000; and

26.29 (3) for fiscal years 2017 and 2018, \$60,000,000.

26.30 (f) "New or expanding" means a biotechnology company that:

26.31 (1) on June 30 of the year in which the corporation files an application for surrender  
26.32 of unused but otherwise allowable tax benefits under this section and on the date of the  
26.33 exchange of the corporate franchise tax benefit certificate, has fewer than 250 employees  
26.34 in the United States and on the later of those dates, the business, whether as part of the  
26.35 corporation or another entity, has not been in operation for more than ten years;

27.1 (2) on June 30 of the year in which the corporation files the application, has at least  
27.2 one full-time employee working in this state if the company has been incorporated for less  
27.3 than three years, has at least five full-time employees working in this state if the company  
27.4 has been incorporated for more than three years but less than five years, and has at least  
27.5 ten full-time employees working in this state if the company has been incorporated for  
27.6 more than five years; and

27.7 (3) on the date of the exchange of the corporate franchise tax benefit certificate, the  
27.8 corporation has the number of full-time employees in this state required by clause (2).

27.9 **Subd. 3. Allocation of tax benefits; annual limit.** (a) The commissioner, in  
27.10 cooperation with the commissioner of revenue, shall review and approve applications  
27.11 by new or expanding biotechnology companies in this state with unused but otherwise  
27.12 allowable net operating loss carryovers under section 290.095, to surrender those tax  
27.13 benefits in exchange for private financial assistance to be made by the corporate franchise  
27.14 taxpayer that is the recipient of the corporate franchise tax benefit certificate in an amount  
27.15 equal to at least 75 percent of the amount of the surrendered tax benefit. The amount of  
27.16 the surrendered tax benefit is the amount of the net operating loss carryover multiplied by  
27.17 the new or expanding biotechnology company's anticipated apportionment percentage, as  
27.18 determined under section 290.191, for the taxable year in which the benefit is transferred  
27.19 and subsequently multiplied by the corporate franchise tax rate under section 290.06,  
27.20 subdivision 1.

27.21 (b) The commissioner must approve the transfer of no more than the maximum  
27.22 annual credit limit in each fiscal year. If the total amount of transferable tax benefits  
27.23 requested to be surrendered by approved applicants exceeds the maximum annual credit  
27.24 limit for a fiscal year, the commissioner, in cooperation with the commissioner of revenue,  
27.25 must not approve the transfer of more than the maximum annual credit limit for that fiscal  
27.26 year and shall allocate the transfer of tax benefits by approved corporations using the  
27.27 following method:

27.28 (1) an eligible applicant with \$250,000 or less of transferable tax benefits is  
27.29 authorized to surrender the entire amount of its transferable tax benefits;

27.30 (2) an eligible applicant with more than \$250,000 of transferable tax benefits is  
27.31 authorized to surrender a minimum of \$250,000 of its transferable tax benefits; and

27.32 (3) an eligible applicant with more than \$250,000 of transferable tax benefits is  
27.33 authorized to surrender additional transferable tax benefits determined by multiplying  
27.34 the applicant's transferable tax benefits less the minimum transferable tax benefits that  
27.35 corporation is authorized to surrender under clause (2) by a fraction, the numerator of  
27.36 which is the total amount of transferable tax benefits that the commissioner is authorized

28.1 to approve less the total amount of transferable tax benefits approved under clauses (1)  
28.2 and (2) and the denominator of which is the total amount of transferable tax benefits  
28.3 requested to be surrendered by all eligible applicants less the total amount of transferable  
28.4 tax benefits approved under clauses (1) and (2).

28.5 (c) If the total amount of transferable tax benefits that would be authorized using the  
28.6 method under paragraph (b) exceeds the maximum annual credit limit for a fiscal year,  
28.7 then the commissioner, in cooperation with the commissioner of revenue, shall limit the  
28.8 total amount of tax benefits authorized to be transferred to the maximum annual credit  
28.9 limit by applying the above method on an apportioned basis.

28.10 Subd. 4. **Qualifying tax benefits and corporations.** For purposes of this section,  
28.11 transferable tax benefits include an eligible applicant's unused but otherwise allowable  
28.12 carryover of net operating losses multiplied by the applicant's anticipated allocation factor  
28.13 as determined under section 290.191 for the taxable year in which the benefit is transferred  
28.14 and subsequently multiplied by the corporate franchise tax rate under section 290.06,  
28.15 subdivision 1. An eligible applicant's transferable tax benefits are limited to net operating  
28.16 losses that the applicant requests to surrender in its application to the authority and must  
28.17 not, in total, exceed the maximum amount of tax benefits that the applicant is eligible to  
28.18 surrender. No application for a corporate franchise tax benefit transfer certificate must be  
28.19 approved in which the new or expanding biotechnology company:

28.20 (1) has demonstrated positive net operating income in any of the two previous full  
28.21 years of ongoing operations as determined on its financial statements issued according to  
28.22 generally accepted accounting standards endorsed by the Financial Accounting Standards  
28.23 Board; or

28.24 (2) is directly or indirectly at least 50 percent owned or controlled by another  
28.25 corporation that has demonstrated positive net operating income in any of the two previous  
28.26 full years of ongoing operations as determined on its financial statements issued according  
28.27 to generally accepted accounting standards endorsed by the Financial Accounting  
28.28 Standards Board or is part of a consolidated group of affiliated corporations, as filed for  
28.29 federal income tax purposes, that in the aggregate has demonstrated positive net operating  
28.30 income in any of the two previous full years of ongoing operations as determined on  
28.31 its combined financial statements issued according to generally accepted accounting  
28.32 standards endorsed by the Financial Accounting Standards Board.

28.33 The maximum lifetime value of surrendered tax benefits that a corporation is permitted to  
28.34 surrender under the program is \$15,000,000.

28.35 Subd. 5. **Recapture of tax benefits.** The commissioner, in consultation with the  
28.36 commissioner of revenue, shall develop a standard form agreement that each new or

29.1 expanding biotechnology company must enter as a condition of qualifying to surrender  
29.2 tax benefits under this section. The agreement must provide for the recapture of all, or a  
29.3 portion of, the amount of a grant of a corporate franchise tax benefit certificate from the  
29.4 new or expanding biotechnology company under this section if the taxpayer fails to use  
29.5 the private financial assistance received for the surrender of tax benefits as required by  
29.6 this section or fails to maintain a headquarters or a base of operation in this state during  
29.7 the five years following receipt of the private financial assistance; except if the failure to  
29.8 maintain a headquarters or a base of operation in this state is due to the liquidation of the  
29.9 new or expanding biotechnology company, other than as a result of a merger or acquisition  
29.10 of the company.

29.11 **Subd. 6. Approval of acquisition of tax benefits; purposes; required agreement.**

29.12 (a) The commissioner, in cooperation with the commissioner of revenue, shall review and  
29.13 approve applications by taxpayers under the corporate franchise tax in chapter 290 to  
29.14 acquire surrendered tax benefits approved under subdivision 3, which must be issued in  
29.15 the form of corporate franchise tax benefit transfer certificates, in exchange for private  
29.16 financial assistance to be made by the taxpayer in an amount equal to at least 75 percent of  
29.17 the amount of the surrendered tax benefit of a biotechnology company. The commissioner  
29.18 must not issue a corporate franchise tax benefit transfer certificate, unless the applicant  
29.19 certifies that as of the date of the exchange of the corporate franchise tax benefit certificate  
29.20 it is operating as a new or expanding biotechnology company and has no current intention  
29.21 to cease operating as a new or expanding biotechnology company.

29.22 (b) The private financial assistance shall assist in funding expenses incurred in  
29.23 connection with the operation of the new or expanding biotechnology company in this  
29.24 state, including but not limited to the expenses of fixed assets, such as the construction  
29.25 and acquisition and development of real estate, materials, start-up, tenant fit-out, working  
29.26 capital, salaries, research and development expenditures, and any other expenses  
29.27 determined by the commissioner to be necessary to carry out biotechnology company  
29.28 operations in this state.

29.29 (c) The commissioner shall require a corporate franchise taxpayer that acquires  
29.30 a corporate franchise tax benefit certificate to enter into a written agreement with the  
29.31 new or expanding biotechnology company concerning the terms and conditions of the  
29.32 private financial assistance made in exchange for the certificate. The written agreement  
29.33 may contain terms concerning the maintenance by the new or expanding biotechnology  
29.34 company of a headquarters or a base of operation in this state.

29.35 **Subd. 7. Program evaluation.** (a) No later than December 31, 2015, the  
29.36 commissioner of revenue, after consultation with the commissioners of management and

30.1 budget and employment and economic development, shall contract with a qualified outside  
30.2 entity or individual to evaluate the effects of the program on the Minnesota economy.  
30.3 The contractor must not be associated with, employed by, or have contracts with the  
30.4 entities involved in or associated with the biotechnology industry that benefits from the  
30.5 program. The program evaluation must be completed by January 2017, and provided to  
30.6 the chairs and ranking minority members of the legislative committees having jurisdiction  
30.7 over taxes and economic development in the senate and the house of representatives, in  
30.8 compliance with sections 3.195 and 3.197. The program evaluation must include, in  
30.9 addition to any other matters the commissioner of revenue considers relevant to evaluating  
30.10 the effectiveness of the credit, analysis of:

30.11 (1) the amount of economic activity, including the number of jobs and the wages of  
30.12 those jobs, generated by emerging biotechnology companies that received investments  
30.13 that qualified for the credit;

30.14 (2) the incremental change in Minnesota state and local taxes paid as a result of  
30.15 the allowance of the credit; and

30.16 (3) the net benefit to the Minnesota economy of allowance of the credit relative to  
30.17 alternative uses of the resources, such as increasing the research and development credit  
30.18 or reducing the corporate franchise tax rate.

30.19 (b) To the extent necessary to complete the program evaluation, the consultant  
30.20 or consultants may request from the commissioner of revenue tax return information  
30.21 of taxpayers who surrender tax benefits under the program. To the extent necessary to  
30.22 complete the program evaluation, the consultant or consultants may request from the  
30.23 commissioner of employment and economic development applications for certification  
30.24 and annual reports made by qualified small businesses, qualified investors, and qualified  
30.25 funds. The consultant or consultants may not disclose or release any data received under  
30.26 this section except as permitted for a government entity under chapter 13, and is subject to  
30.27 the penalties and remedies provided in law for violation of that chapter.

30.28 Subd. 8. **Sunset.** This section expires effective following the allocation for fiscal  
30.29 year 2018.

30.30 **EFFECTIVE DATE.** This section is effective the day following final enactment  
30.31 and applies to taxable years beginning after December 31, 2011.

30.32 Sec. 6. Minnesota Statutes 2010, section 289A.08, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

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

31.29 Sec. 7. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19c, is  
31.30 amended to read:

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

31.33 (1) the amount of any deduction taken for federal income tax purposes for income,  
31.34 excise, or franchise taxes based on net income or related minimum taxes, including but not  
31.35 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,

32.1 another state, a political subdivision of another state, the District of Columbia, or any  
32.2 foreign country or possession of the United States;

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

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

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

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

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

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

32.19 (8) the exempt foreign trade income of a foreign sales corporation under sections  
32.20 921(a) and 291 of the Internal Revenue Code;

32.21 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
32.22 291 of the Internal Revenue Code;

32.23 (10) for certified pollution control facilities placed in service in a taxable year  
32.24 beginning before December 31, 1986, and for which amortization deductions were elected  
32.25 under section 169 of the Internal Revenue Code of 1954, as amended through December  
32.26 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
32.27 income for those facilities;

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

32.32 ~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow  
32.33 through to the partner because the partnership elected to pay the tax on the income under  
32.34 section 6242(a)(2) of the Internal Revenue Code;

32.35 ~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal  
32.36 Revenue Code;

33.1 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the  
 33.2 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
 33.3 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

33.4 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section  
 33.5 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if  
 33.6 the taxpayer has an activity that in the taxable year generates a deduction for depreciation  
 33.7 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable  
 33.8 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation  
 33.9 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess  
 33.10 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)  
 33.11 over the amount of the loss from the activity that is not allowed in the taxable year. In  
 33.12 succeeding taxable years when the losses not allowed in the taxable year are allowed, the  
 33.13 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

33.14 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of  
 33.15 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
 33.16 Revenue Code of 1986, as amended through December 31, 2003;

33.17 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of  
 33.18 the deduction allowable under section 199 of the Internal Revenue Code;

33.19 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed  
 33.20 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
 33.21 drug plans;

33.22 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

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

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

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

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

33.34 ~~(iv) licensing fees; and~~

33.35 ~~(v) other similar expenses and costs.~~

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

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

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

- 34.13 ~~(i) income related to the direct or indirect acquisition, use, maintenance or~~  
34.14 ~~management, ownership, sale, exchange, or any other disposition of intangible property;~~  
34.15 ~~(ii) income from factoring transactions or discounting transactions;~~  
34.16 ~~(iii) royalty, patent, technical, and copyright fees;~~  
34.17 ~~(iv) licensing fees; and~~  
34.18 ~~(v) other similar income.~~

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

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

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

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

34.34 ~~(24) (19) for taxable years beginning before January 1, 2010, the additional amount~~  
34.35 ~~allowed as a deduction for donation of computer technology and equipment under section~~  
34.36 ~~170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and~~

35.1 ~~(25)~~ (20) discharge of indebtedness income resulting from reacquisition of business  
35.2 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

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

35.5 Sec. 8. Minnesota Statutes 2010, section 290.01, subdivision 19d, is amended to read:

35.6 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
35.7 corporations, there shall be subtracted from federal taxable income after the increases  
35.8 provided in subdivision 19c:

35.9 (1) the amount of foreign dividend gross-up added to gross income for federal  
35.10 income tax purposes under section 78 of the Internal Revenue Code;

35.11 (2) the amount of salary expense not allowed for federal income tax purposes due to  
35.12 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

35.13 (3) any dividend (not including any distribution in liquidation) paid within the  
35.14 taxable year by a national or state bank to the United States, or to any instrumentality of  
35.15 the United States exempt from federal income taxes, on the preferred stock of the bank  
35.16 owned by the United States or the instrumentality;

35.17 (4) amounts disallowed for intangible drilling costs due to differences between  
35.18 this chapter and the Internal Revenue Code in taxable years beginning before January  
35.19 1, 1987, as follows:

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

35.23 (ii) to the extent the disallowed costs are not represented by physical property, an  
35.24 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
35.25 290.09, subdivision 8;

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

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

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

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

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

36.5 (6) an amount for interest and expenses relating to income not taxable for federal  
36.6 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
36.7 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
36.8 291 of the Internal Revenue Code in computing federal taxable income;

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

36.17 (8) for certified pollution control facilities placed in service in a taxable year  
36.18 beginning before December 31, 1986, and for which amortization deductions were elected  
36.19 under section 169 of the Internal Revenue Code of 1954, as amended through December  
36.20 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
36.21 1986, section 290.09, subdivision 7;

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

36.28 (10) 80 percent of royalties, fees, or other like income accrued or received from a  
36.29 foreign operating corporation or a foreign corporation which is part of the same unitary  
36.30 business as the receiving corporation, unless the income resulting from such payments or  
36.31 accruals is income from sources within the United States as defined in subtitle A, chapter  
36.32 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

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

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

37.17 (17) in each of the five tax years immediately following the tax year in which an  
37.18 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth  
37.19 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
37.20 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The  
37.21 resulting delayed depreciation cannot be less than zero;

37.22 (18) in each of the five tax years immediately following the tax year in which an  
37.23 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth  
37.24 of the amount of the addition; and

37.25 (19) to the extent included in federal taxable income, discharge of indebtedness  
37.26 income resulting from reacquisition of business indebtedness included in federal taxable  
37.27 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
37.28 to the extent that the income was included in net income in a prior year as a result of the  
37.29 addition under section 290.01, subdivision 19c, clause ~~(25)~~ (20).

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

37.32 Sec. 9. Minnesota Statutes 2010, section 290.01, subdivision 29, is amended to read:

37.33 Subd. 29. **Taxable income.** The term "taxable income" means:

37.34 (1) for individuals, estates, and trusts, the same as taxable net income;

37.35 (2) for corporations, the taxable net income less

38.1 (i) the net operating loss deduction under section 290.095, excluding any amount  
38.2 surrendered under section 116J.8738;

38.3 (ii) the dividends received deduction under section 290.21, subdivision 4;

38.4 (iii) the exemption for operating in a job opportunity building zone under section  
38.5 469.317;

38.6 (iv) the exemption for operating in a biotechnology and health sciences industry  
38.7 zone under section 469.337; and

38.8 (v) the exemption for operating in an international economic development zone  
38.9 under section 469.326.

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

38.12 Sec. 10. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision  
38.13 to read:

38.14 **Subd. 36. Employment of qualified veteran tax credit.** (a) A taxpayer is allowed a  
38.15 credit against the tax imposed under this chapter for employment of one or more qualified  
38.16 veterans.

38.17 (b) "Qualified veteran" has the meaning given in section 51 of the Internal Revenue  
38.18 Code.

38.19 (c) The credit equals the credit allowed under section 51 of the Internal Revenue  
38.20 Code without regard to the limitation to federal liability, but is limited to the portion of the  
38.21 federal credit allowed for employment of qualified veterans in Minnesota.

38.22 (d) The credit under this subdivision is in effect without regard to whether or not the  
38.23 credit allowed under section 51 of the Internal Revenue Code is allowed for wages paid  
38.24 during the taxable year.

38.25 (e) If the amount of the credit determined under this section exceeds the liability for  
38.26 tax under this chapter, the excess may be carried forward to each of the next ten taxable  
38.27 years. The entire amount of the excess unused credit for the taxable year shall be carried  
38.28 first to the earliest of the taxable years to which the credit may be carried, and then to each  
38.29 successive year to which the credit may be carried. The amount of the unused credit which  
38.30 may be added under this paragraph shall not exceed the taxpayer's liability for tax less the  
38.31 credit under this section for the taxable year.

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

39.1 Sec. 11. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision  
39.2 to read:

39.3 **Subd. 37. Credit; technology corporate franchise tax certificate transfer.**

39.4 A taxpayer may take a credit against the tax imposed under subdivision 1 or section  
39.5 290.0921 equal to the amount of the transferable tax benefits certified to the taxpayer for  
39.6 the taxable year by the commissioner of employment and economic development under  
39.7 section 116J.8738.

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

39.10 Sec. 12. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision  
39.11 to read:

39.12 **Subd. 38. Property tax credit.** (a) A credit is allowed against the taxes imposed  
39.13 under subdivision 1 and section 290.0921 for the taxable year equal to the lesser of:

39.14 (1) ad valorem property tax paid on real property, located in this state and owned by  
39.15 a legal entity that is part of the unitary business, as defined in section 290.17, subdivision  
39.16 4, paid during the taxable year, or

39.17 (2) 7.84 percent of the Minnesota foreign operating corporation income of the  
39.18 unitary business for the taxable year.

39.19 (b) For purposes of this subdivision, "foreign operating corporation income of the  
39.20 unitary business" means the sum of the amounts of federal taxable income, as modified  
39.21 by the provisions of paragraph (c), of all of the foreign operating corporations that are  
39.22 part of the unitary business that is:

39.23 (1) derived from sources without the United States, as defined in subtitle A, chapter  
39.24 1, subchapter N, part 1, of the Internal Revenue Code; and

39.25 (2) attributable to the active conduct of a trade or business in a foreign country.

39.26 (c) Foreign operating corporation income must be decreased by the following  
39.27 amounts to the extent that they were reflected in the computation of the amount of federal  
39.28 taxable income used in paragraph (b):

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

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

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

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

40.4 (iv) licensing fees; and

40.5 (v) other similar expenses and costs.

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

40.11 (2) except as already excluded in the taxpayer's taxable income under clause (1), any  
40.12 interest income and income generated from intangible property received or accrued by a  
40.13 foreign operating corporation that is a member of the unitary business group. For purposes  
40.14 of this clause, income generated from intangible property includes:

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

40.17 (ii) income from factoring transactions or discounting transactions;

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

40.19 (iv) licensing fees; and

40.20 (v) other similar income.

40.21 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
40.22 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
40.23 secrets, and similar types of intangible assets. This clause does not apply to any item  
40.24 of interest or intangible income received or accrued by a foreign operating corporation  
40.25 with respect to such item of income to the extent that the income is income from sources  
40.26 without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of  
40.27 the Internal Revenue Code; and

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

40.31 (d) For purposes of this subdivision, "Minnesota foreign operating corporation  
40.32 income of the unitary business" means foreign operating company income of the unitary  
40.33 business multiplied by a percentage equal to the apportionment percentage for the taxable  
40.34 year, determined under section 290.191, but computed using the factors of the entire  
40.35 unitary business group and excluding from the numerator factors of entities that are not  
40.36 taxable in this state.

41.1 (e) The unitary business may allocate the credit under this subdivision among the  
41.2 legal entities that are members of its group, but the total amount of the credit under this  
41.3 subdivision cannot exceed the liability for tax for the taxable year under sections  
41.4 290.06, subdivision 1, and 290.0921.

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

41.7 Sec. 13. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

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

- 41.11 (a) ten percent of the first \$2,000,000 of the excess (if any) of  
41.12 (1) the qualified research expenses for the taxable year, over  
41.13 (2) the base amount; and  
41.14 (b) ~~2.5~~ 4.5 percent on all of such excess expenses over \$2,000,000.

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

41.17 Sec. 14. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

41.18 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly  
41.19 within this state or partly within and partly without this state is part of a unitary business,  
41.20 the entire income of the unitary business is subject to apportionment pursuant to section  
41.21 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
41.22 business is considered to be derived from any particular source and none may be allocated  
41.23 to a particular place except as provided by the applicable apportionment formula. The  
41.24 provisions of this subdivision do not apply to business income subject to subdivision 5,  
41.25 income of an insurance company, or income of an investment company determined under  
41.26 section 290.36.

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

41.31 (c) Unity is presumed whenever there is unity of ownership, operation, and use,  
41.32 evidenced by centralized management or executive force, centralized purchasing,  
41.33 advertising, accounting, or other controlled interaction, but the absence of these

42.1 centralized activities will not necessarily evidence a nonunitary business. Unity is also  
42.2 presumed when business activities or operations are of mutual benefit, dependent upon or  
42.3 contributory to one another, either individually or as a group.

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

42.9 (e) Unity of ownership is not deemed to exist when a corporation is involved unless  
42.10 that corporation is a member of a group of two or more business entities and more than 50  
42.11 percent of the voting stock of each member of the group is directly or indirectly owned  
42.12 by a common owner or by common owners, either corporate or noncorporate, or by one  
42.13 or more of the member corporations of the group. For this purpose, the term "voting  
42.14 stock" shall include membership interests of mutual insurance holding companies formed  
42.15 under section 66A.40.

42.16 (f) The net income and apportionment factors under section 290.191 or 290.20 of  
42.17 foreign corporations and other foreign entities which are part of a unitary business shall  
42.18 not be included in the net income or the apportionment factors of the unitary business.  
42.19 A foreign corporation or other foreign entity which is required to file a return under this  
42.20 chapter shall file on a separate return basis. ~~The net income and apportionment factors~~  
42.21 ~~under section 290.191 or 290.20 of foreign operating corporations shall not be included in~~  
42.22 ~~the net income or the apportionment factors of the unitary business except as provided in~~  
42.23 ~~paragraph (g).~~

42.24 ~~(g) The adjusted net income of a foreign operating corporation shall be deemed to~~  
42.25 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~  
42.26 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~  
42.27 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~  
42.28 ~~290.21, subdivision 4.~~

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

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

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

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

43.7 ~~(h)~~ (g) For purposes of determining the net income of a unitary business and the  
43.8 factors to be used in the apportionment of net income pursuant to section 290.191 or  
43.9 290.20, there must be included only the income and apportionment factors of domestic  
43.10 corporations or other domestic entities ~~other than foreign operating corporations~~ that are  
43.11 determined to be part of the unitary business pursuant to this subdivision, notwithstanding  
43.12 that foreign corporations or other foreign entities might be included in the unitary business.

43.13 ~~(i)~~ (h) Deductions for expenses, interest, or taxes otherwise allowable under  
43.14 this chapter that are connected with or allocable against dividends, ~~deemed dividends~~  
43.15 ~~described in paragraph (g)~~, or royalties, fees, or other like income described in section  
43.16 290.01, subdivision 19d, clause (10), shall not be disallowed.

43.17 ~~(j)~~ (i) Each corporation or other entity, except a sole proprietorship, that is part of  
43.18 a unitary business must file combined reports as the commissioner determines. On the  
43.19 reports, all intercompany transactions between entities included pursuant to paragraph  
43.20 ~~(h)~~ (g) must be eliminated and the entire net income of the unitary business determined in  
43.21 accordance with this subdivision is apportioned among the entities by using each entity's  
43.22 Minnesota factors for apportionment purposes in the numerators of the apportionment  
43.23 formula and the total factors for apportionment purposes of all entities included pursuant  
43.24 to paragraph ~~(h)~~ (g) in the denominators of the apportionment formula.

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

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

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

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

43.34 Sec. 15. **REPEALER.**

43.35 Minnesota Statutes 2010, section 290.0921, subdivision 7, is repealed.

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

### 44.3 **ARTICLE 3**

#### 44.4 **SALES AND USE TAXES**

44.5 Section 1. Minnesota Statutes 2010, section 289A.20, subdivision 4, is amended to  
44.6 read:

44.7 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and  
44.8 payable to the commissioner monthly on or before the 20th day of the month following  
44.9 the month in which the taxable event occurred, or following another reporting period  
44.10 as the commissioner prescribes or as allowed under section 289A.18, subdivision 4,  
44.11 paragraph (f) or (g), except that:

44.12 ~~(1) use taxes due on an annual use tax return as provided under section 289A.11,~~  
44.13 ~~subdivision 1, are payable by April 15 following the close of the calendar year, and~~

44.14 ~~(2) except as provided in paragraph (f), for a vendor having a liability of \$120,000~~  
44.15 ~~or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes~~  
44.16 ~~imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the~~  
44.17 ~~commissioner monthly in the following manner:~~

44.18 ~~(i) On or before the 14th day of the month following the month in which the taxable~~  
44.19 ~~event occurred, the vendor must remit to the commissioner 90 percent of the estimated~~  
44.20 ~~liability for the month in which the taxable event occurred.~~

44.21 ~~(ii) On or before the 20th day of the month in which the taxable event occurs, the~~  
44.22 ~~vendor must remit to the commissioner a prepayment for the month in which the taxable~~  
44.23 ~~event occurs equal to 67 percent of the liability for the previous month.~~

44.24 ~~(iii) On or before the 20th day of the month following the month in which the taxable~~  
44.25 ~~event occurred, the vendor must pay any additional amount of tax not previously remitted~~  
44.26 ~~under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than~~  
44.27 ~~the vendor's liability for the month in which the taxable event occurred, the vendor may~~  
44.28 ~~take a credit against the next month's liability in a manner prescribed by the commissioner.~~

44.29 ~~(iv) Once the vendor first pays under either item (i) or (ii), the vendor is required to~~  
44.30 ~~continue to make payments in the same manner, as long as the vendor continues having a~~  
44.31 ~~liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

44.32 ~~(v) Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required~~  
44.33 ~~payment in the first month that the vendor is required to make a payment under either item~~  
44.34 ~~(i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make~~  
44.35 ~~subsequent monthly payments in the manner provided in item (ii).~~

45.1 ~~(vi) For vendors making an accelerated payment under item (ii), for the first month~~  
45.2 ~~that the vendor is required to make the accelerated payment, on the 20th of that month, the~~  
45.3 ~~vendor will pay 100 percent of the liability for the previous month and a prepayment for~~  
45.4 ~~the first month equal to 67 percent of the liability for the previous month.~~

45.5 (b) ~~Notwithstanding paragraph (a),~~ A vendor having a liability of \$120,000 or more  
45.6 during a fiscal year ending June 30 must remit the June liability for the next year in the  
45.7 following manner:

45.8 (1) Two business days before June 30 of the year, the vendor must remit 90 percent  
45.9 of the estimated June liability to the commissioner.

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

45.12 (c) A vendor having a liability of:

45.13 (1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30,  
45.14 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns  
45.15 due for periods beginning in the subsequent calendar year on or before the 20th day of  
45.16 the month following the month in which the taxable event occurred, or on or before the  
45.17 20th day of the month following the month in which the sale is reported under section  
45.18 289A.18, subdivision 4; or

45.19 (2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years  
45.20 thereafter, must remit by electronic means all liabilities in the manner provided in  
45.21 paragraph (a), ~~clause (2),~~ on returns due for periods beginning in the subsequent calendar  
45.22 year, except for 90 percent of the estimated June liability, which is due two business days  
45.23 before June 30. The remaining amount of the June liability is due on August 20.

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

45.31 ~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed~~  
45.32 ~~under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the~~  
45.33 ~~chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and~~  
45.34 ~~paid with the chapter 297A taxes, then the payment of all the liabilities on the return must~~  
45.35 ~~be accelerated as provided in this subdivision.~~

46.1 ~~(f) At the start of the first calendar quarter at least 90 days after the cash flow~~  
46.2 ~~account established in section 16A.152, subdivision 1, and the budget reserve account~~  
46.3 ~~established in section 16A.152, subdivision 1a, reach the amounts listed in section~~  
46.4 ~~16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required~~  
46.5 ~~under paragraph (a), clause (2), must be suspended. The commissioner of management~~  
46.6 ~~and budget shall notify the commissioner of revenue when the accounts have reached~~  
46.7 ~~the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a~~  
46.8 ~~vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009,~~  
46.9 ~~and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the~~  
46.10 ~~commissioner on the 20th day of the month following the month in which the taxable~~  
46.11 ~~event occurred. Payments of tax liabilities for taxable events occurring in June under~~  
46.12 ~~paragraph (b) are not changed.~~

46.13 **EFFECTIVE DATE.** This section is effective for taxes due and payable after  
46.14 July 1, 2012.

46.15 Sec. 2. Minnesota Statutes 2010, section 297A.68, subdivision 5, is amended to read:

46.16 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. Except as provided  
46.17 in paragraph (e), the tax must be imposed and collected as if the rate under section  
46.18 297A.62, subdivision 1, applied, and then refunded in the manner provided in section  
46.19 297A.75.

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

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

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

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

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

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

- 47.1 (5) repair and replacement parts, including accessories, whether purchased as spare  
47.2 parts, repair parts, or as upgrades or modifications to machinery or equipment;
- 47.3 (6) materials used for foundations that support machinery or equipment;
- 47.4 (7) materials used to construct and install special purpose buildings used in the  
47.5 production process;
- 47.6 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed  
47.7 as part of the delivery process regardless if mounted on a chassis, repair parts for  
47.8 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
- 47.9 (9) machinery or equipment used for research, development, design, or production  
47.10 of computer software.
- 47.11 (c) Capital equipment does not include the following:
- 47.12 (1) motor vehicles taxed under chapter 297B;
- 47.13 (2) machinery or equipment used to receive or store raw materials;
- 47.14 (3) building materials, except for materials included in paragraph (b), clauses (6)  
47.15 and (7);
- 47.16 (4) machinery or equipment used for nonproduction purposes, including, but not  
47.17 limited to, the following: plant security, fire prevention, first aid, and hospital stations;  
47.18 support operations or administration; pollution control; and plant cleaning, disposal of  
47.19 scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- 47.20 (5) farm machinery and aquaculture production equipment as defined by section  
47.21 297A.61, subdivisions 12 and 13;
- 47.22 (6) machinery or equipment purchased and installed by a contractor as part of an  
47.23 improvement to real property;
- 47.24 (7) machinery and equipment used by restaurants in the furnishing, preparing, or  
47.25 serving of prepared foods as defined in section 297A.61, subdivision 31;
- 47.26 (8) machinery and equipment used to furnish the services listed in section 297A.61,  
47.27 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);
- 47.28 (9) machinery or equipment used in the transportation, transmission, or distribution  
47.29 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,  
47.30 tanks, mains, or other means of transporting those products. This clause does not apply to  
47.31 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section  
47.32 239.77; or
- 47.33 (10) any other item that is not essential to the integrated process of manufacturing,  
47.34 fabricating, mining, or refining.
- 47.35 (d) For purposes of this subdivision:

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

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

48.8 (3) "Integrated production process" means a process or series of operations through  
48.9 which tangible personal property is manufactured, fabricated, mined, or refined. For  
48.10 purposes of this clause, (i) manufacturing begins with the removal of raw materials  
48.11 from inventory and ends when the last process prior to loading for shipment has been  
48.12 completed; (ii) fabricating begins with the removal from storage or inventory of the  
48.13 property to be assembled, processed, altered, or modified and ends with the creation  
48.14 or production of the new or changed product; (iii) mining begins with the removal of  
48.15 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and  
48.16 ends when the last process before stockpiling is completed; and (iv) refining begins with  
48.17 the removal from inventory or storage of a natural resource and ends with the conversion  
48.18 of the item to its completed form.

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

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

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

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

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

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

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

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

49.6 (e) Materials exempt under this section may be purchased without imposing and  
49.7 collecting the tax and applying for a refund under section 297A.75 if the purchaser is a  
49.8 small business, as defined under section 645.445.

49.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
49.10 June 30, 2012.

49.11 Sec. 3. **REPEALER.**

49.12 Minnesota Statutes 2011 Supplement, section 289A.60, subdivision 31, is repealed.

49.13 **EFFECTIVE DATE.** This section is effective for taxes due and payable after  
49.14 July 1, 2012.

#### 49.15 ARTICLE 4

#### 49.16 MISCELLANEOUS

49.17 Section 1. Minnesota Statutes 2010, section 297A.8155, is amended to read:

49.18 **297A.8155 LIQUOR REPORTING REQUIREMENTS; PENALTY.**

49.19 A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota  
49.20 to a retailer that sells liquor, shall file with the commissioner an annual informational  
49.21 report, in the form and manner prescribed by the commissioner, indicating the name,  
49.22 address, and Minnesota business identification number of each retailer, and the total  
49.23 dollar amount of liquor sold to each retailer in the previous calendar year. The report  
49.24 must be filed on or before March 31 following the close of the calendar year. A person  
49.25 failing to file this report is subject to the penalty imposed under section 289A.60. A  
49.26 person required to file a report under this section is not required to provide a copy of an  
49.27 exemption certificate, as defined in section 297A.72, provided to the person by a retailer,  
49.28 along with the annual informational report.

49.29 **EFFECTIVE DATE.** This section is effective for reports required to be filed  
49.30 beginning in calendar year 2012 and thereafter.

49.31 Sec. 2. Minnesota Statutes 2010, section 297G.04, subdivision 2, is amended to read:

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

50.6 (1) the liability for tax; or

50.7 (2) \$115,000.

50.8 For purposes of this subdivision, a "qualified brewer" means a brewer, whether or  
50.9 not located in this state, manufacturing less than ~~100,000~~ 250,000 barrels of fermented  
50.10 malt beverages in the calendar year immediately preceding the calendar year for which  
50.11 the credit under this subdivision is claimed. In determining the number of barrels, all  
50.12 brands or labels of a brewer must be combined. All facilities for the manufacture of  
50.13 fermented malt beverages owned or controlled by the same person, corporation, or other  
50.14 entity must be treated as a single brewer.

50.15 **EFFECTIVE DATE.** This section is effective for determinations based on calendar  
50.16 year 2011 production and thereafter.

50.17 Sec. 3. Minnesota Statutes 2010, section 298.75, is amended by adding a subdivision  
50.18 to read:

50.19 **Subd. 12. Tax may be imposed; Otter Tail County.** (a) If Otter Tail County  
50.20 does not impose a tax under this section and approves imposition of the tax under this  
50.21 subdivision, the city of Vergas in Otter Tail County may impose the aggregate materials  
50.22 tax under this section.

50.23 (b) For purposes of exercising the powers contained in this section, the "city" is  
50.24 deemed to be the "county."

50.25 (c) All provisions in this section apply to the city of Vergas, except that in lieu of the  
50.26 tax proceeds under subdivision 7, all proceeds of the tax must be retained by the city.

50.27 (d) If Otter Tail County imposes an aggregate materials tax under this section, the  
50.28 tax imposed by the city of Vergas under this subdivision is repealed on the effective  
50.29 date of the Otter Tail County tax.

50.30 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
50.31 the city of Vergas and its chief clerical officer comply with Minnesota Statutes, section  
50.32 645.021, subdivisions 2 and 3.

51.1 Sec. 4. Minnesota Statutes 2010, section 469.169, is amended by adding a subdivision  
51.2 to read:

51.3 Subd. 19. **Additional border city allocation; 2012.** (a) In addition to tax  
51.4 reductions authorized in subdivisions 7 to 18, the commissioner shall allocate \$75,000  
51.5 for tax reductions to border city enterprise zones in cities located on the western border  
51.6 of the state. The commissioner shall make allocations to zones in cities on the western  
51.7 border on a per capita basis. Allocations made under this subdivision may be used for  
51.8 tax reductions as provided in section 469.171, or for other offsets of taxes imposed on  
51.9 or remitted by businesses located in the enterprise zone, but only if the municipality  
51.10 determines that the granting of the tax reduction or offset is necessary in order to retain a  
51.11 business within or attract a business to the zone. The city alternatively may elect to use  
51.12 any portion of the allocation provided in this paragraph for tax reductions under section  
51.13 469.1732 or 469.1734.

51.14 (b) The commissioner shall allocate \$75,000 for tax reductions under section  
51.15 469.1732 or 469.1734 to cities with border city enterprise zones located on the western  
51.16 border of the state. The commissioner shall allocate this amount among the cities on a per  
51.17 capita basis. The city alternatively may elect to use any portion of the allocation provided  
51.18 in this paragraph for tax reductions as provided in section 469.171.

51.19 Sec. 5. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974,  
51.20 chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788,  
51.21 section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws  
51.22 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998,  
51.23 chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to  
51.24 read:

51.25 Subd. 2. For each of the years ~~2003 to 2013~~ 2012 to 2024, the city of St. Paul is  
51.26 authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

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

51.28 Sec. 6. **SPECIAL RECOVERY FUND; CANCELLATION.**

51.29 \$4,300,000 of the balance in the Revenue Department service and recovery special  
51.30 revenue fund is transferred in fiscal year 2012 to the general fund.

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

51.32 Sec. 7. **LIQUOR REPORTING REQUIREMENTS.**

52.1 A person who was required to submit an annual informational report under  
52.2 Minnesota Statutes, section 297A.8155, to the commissioner of revenue during calendar  
52.3 year 2010 or 2011 is not required to provide a copy of an exemption certificate or a  
52.4 retailer's tax identification number along with the informational report.

52.5 **EFFECTIVE DATE.** This section is effective the day following final enactment  
52.6 and applies to reports required to be filed in calendar year 2010 or 2011.

52.7 Sec. 8. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

52.8 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under  
52.9 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax  
52.10 expenditure provide a purpose for the tax expenditure and a standard or goal against  
52.11 which its effectiveness may be measured.

52.12 Subd. 2. **Employment of qualified veterans tax credit.** The provisions of article 2,  
52.13 section 9, providing a tax credit for the employment of qualified veterans, are intended  
52.14 to give an incentive to employers to hire returning veterans who would otherwise be  
52.15 unemployed and to encourage their reintegration into the community. The standard against  
52.16 which the effectiveness of the credit is to be measured is the additional number of veterans  
52.17 who are hired as a result of the tax credit.

52.18 Subd. 3. **Corporate franchise tax certificate transfer program.** The provisions of  
52.19 article 2, sections 4 and 10, providing for the transfer of tax benefits, are intended to create  
52.20 new high paying and high quality jobs in Minnesota. The standard against which the  
52.21 effectiveness of the transfer program is to be measured is the number of new high paying  
52.22 and high quality jobs created in Minnesota as a result of the credit.

52.23 Subd. 4. **Foreign operating corporation property tax credit.** The provisions of  
52.24 article 2, section 11, providing a corporate franchise tax credit for Minnesota foreign  
52.25 operating corporations income, is intended to create and retain jobs in Minnesota. The  
52.26 standard against which the effectiveness of the credit is to be measured is the number of  
52.27 jobs provided by corporations claiming the credit.

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

52.29 Sec. 9. **TAX REFORM COMMISSION.**

53.1           Subdivision 1. **Findings.** The legislature finds that Minnesota's state and local tax  
53.2 system is flawed and not well adapted to the changing nature of the economy and the  
53.3 demographics of the state and must be reformed so that it is:

- 53.4           (1) simple and transparent;  
53.5           (2) beneficial for job creation;  
53.6           (3) fair and equitable to all Minnesotans; and  
53.7           (4) neutral and efficient.

53.8           Subd. 2. **Commission established.** A tax reform action commission is established  
53.9 in the legislative branch to study the Minnesota tax and revenue system and to make  
53.10 recommendations to the legislature.

53.11           Subd. 3. **Membership.** (a) The commission consists of 15 members, appointed  
53.12 as follows:

53.13           (1) three members appointed by the governor, two from the executive branch and  
53.14 one from private life;

53.15           (2) four members appointed by the majority leader of the senate, two members of the  
53.16 senate and two from private life;

53.17           (3) two members appointed by the minority leader of the senate, one member of the  
53.18 senate and one from private life;

53.19           (4) four members appointed by the speaker of the house, two members of the house  
53.20 of representatives and two from private life; and

53.21           (5) two members appointed by the minority leader of the house of representatives,  
53.22 one member of the house of representatives and one from private life.

53.23           (b) The appointing authority shall select members who are of recognized standing  
53.24 and distinction and who possess demonstrated capacity to discharge the duties of the  
53.25 commission. In making appointments, the appointing authorities shall attempt to appoint  
53.26 some individuals to the commission who have special experience or knowledge in  
53.27 taxation, economics, and accounting.

53.28           (c) The speaker of the house and majority leader of the senate shall each designate a  
53.29 member of the commission as a chair of the commission. The cochairs shall determine the  
53.30 duties of the commission and supervise its staff.

53.31           (d) The appointing authorities shall appoint members of the commission no later  
53.32 than 14 days after enactment of this section. Members serve for the life of the commission.  
53.33 A vacancy in the commission membership does not affect the power of the remaining  
53.34 members to execute the duties of the commission. A vacancy in commission membership  
53.35 is filled in the same manner in which the original appointment was made.

54.1 (e) The commission shall hold its initial meeting no later than 60 days after  
54.2 enactment of this section.

54.3 Subd. 4. **Duties; report.** (a) The commission shall study and evaluate the Minnesota  
54.4 state and local tax and revenue system with a goal of making long-term improvements in  
54.5 the system for the citizens of the state, given standard principles of good tax policy and  
54.6 the background of expected demographic and economic changes in the state, nation, and  
54.7 world. The commission must specifically address ways to make the Minnesota state tax  
54.8 and revenue system more effective in encouraging business formation, retention, and  
54.9 expansion in the state, as well as increasing general capital investment in the state. The  
54.10 commission's recommendations must be done on a revenue neutral basis. The commission  
54.11 shall examine:

54.12 (1) the mix of state revenues between tax revenues and fees and charges for services  
54.13 used or benefits received;

54.14 (2) the implications of likely demographic and economic changes, affecting both (i)  
54.15 the demands for state and local government services and (ii) taxes and other revenues; and

54.16 (3) the extent to which the existing tax system and the commission's proposal satisfy  
54.17 the following basic tax policy principles:

54.18 (i) equity or fairness, including measures based on ability to pay, equal treatment of  
54.19 equals, and payment for benefits received;

54.20 (ii) neutrality or efficiency, the extent to which the effects on private market  
54.21 decisions are minimized;

54.22 (iii) revenue adequacy, the extent to which the revenues are stable and predictable  
54.23 and grow with increases in income or economic activity;

54.24 (iv) competitiveness, the extent to which the state's attractiveness as a location for  
54.25 investment, working, and living is increased;

54.26 (v) simplicity, the extent to which it is easy to understand;

54.27 (vi) ease of compliance and administration, the extent to which taxpayers can easily  
54.28 comply and the government can easily administer it; and

54.29 (vii) visibility or accountability, the extent to which the taxes or other charges are  
54.30 clear and apparent to their payers as a cost of government and that the government  
54.31 officials imposing the tax are accountable, through election or otherwise, to the principal  
54.32 payers of the tax.

54.33 (b) The commission shall report to the legislature no later than March 1, 2013.  
54.34 The report must include:

54.35 (1) the results of the commission's evaluation of the present tax and revenue system  
54.36 and its research on alternatives;

55.1 (2) recommendations for reform and improvement of the Minnesota state and  
55.2 local tax and revenue system, on a revenue neutral basis, along with the rationale for  
55.3 the proposed changes; and

55.4 (3) a draft bill implementing the commission's recommendation for introduction  
55.5 in the 2014 legislative session.

55.6 Subd. 5. **Per diem and expenses.** Members of the commission may be compensated  
55.7 and receive reimbursement for expenses, as provided for members of advisory councils  
55.8 under Minnesota Statutes, section 15.059, subdivision 3. This subdivision does not apply  
55.9 to members of the legislature or state employees.

55.10 Subd. 6. **Staff.** The commission may employ staff as it deems appropriate to carry  
55.11 out its duties or use existing legislative and executive branch staff. All staff are in the  
55.12 unclassified state service. Legislative staff and the Department of Revenue staff must  
55.13 provide research, bill drafting, and other services to the commission upon its request. The  
55.14 commission may contract with consultants for research and other services and enter other  
55.15 contracts as it deems necessary or appropriate to carry out its duties. These contracts are  
55.16 not subject to the requirements of Minnesota Statutes, chapter 16C.

55.17 Subd. 7. **Appropriations.** \$..... is appropriated from the general fund to the  
55.18 commission for fiscal years 2012 and 2013 to carry out the provisions of this section.

55.19 Subd. 8. **Expiration.** The commission terminates 30 days after transmitting its  
55.20 report to the legislature under subdivision 4, paragraph (b).

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

55.22 Amend the title accordingly