

HOUSE RESEARCH

Bill Summary

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Article 1: Homeowner Property Tax Refund

Overview

This article expands the homeowner property tax refund program (“circuit breaker”) by increasing the maximum refunds and lowering the income threshold for eligibility for homeowners with incomes from \$74,210 to \$96,280. It also provides a one-time \$100,000 appropriation for nonprofits to provide taxpayer assistance services to improve program participation.

- 1 Homeowner property tax refund. Expands the current law homeowner property tax refund program (“circuit breaker”) by
 - ▶ providing a 27.5 percent larger maximum refund for all incomes
 - ▶ reducing the percentage of income threshold for homeowners with incomes over \$74,210 from 4.0 percent to 3.5 percent.

The maximum refund for refunds based on taxes payable in 2009 will increase from \$1,800 under current law to \$2,300. (The maximums appearing in the statute are in 2001 dollars; the amounts that will be in effect for payable 2009 are the statutory amounts adjusted for inflation to 2009).

The income threshold percentage for homeowners with household income from \$74,210 to \$96,280 will decrease from four percent to 3.5 percent. Under current law, homeowners in that income range must have property taxes in excess of four percent of their household income before qualifying for a refund. With the change in this section, they will be eligible for a refund if their property taxes exceed 3.5 percent of their household income. This will make more homeowners eligible, and will result in a larger portion of property taxes qualifying for a refund for homeowners in that income range who have property taxes in excess of the four percent current law threshold.

The maximum refund amounts and the income brackets in the schedule will continue to be adjusted annually for inflation.

- 2 Appropriation; taxpayer assistance services. Appropriates \$100,000 to the commissioner in fiscal year 2009 to make grants to nonprofit organizations that provide taxpayer assistance services in order to keep tax preparation sites open longer and increase participation in the homeowner property tax refund.

Article 2: Aids to Local Governments

Overview

Increases funding for city LGA by \$42 million in Pay 2009 and modifies the distribution formula. Increases county program aid (CPA) by \$22 million in Pay 2009. Provides for future increases in the LGA CPA appropriations in Pay 2010 and 2011.

Establishes a group consisting of legislators and local government officials to study general aids to local governments and report recommendations for changes to the programs by December 15, 2010.

- 1 City revenue need. Establishes a minimum need measure for large cities of \$285 per capita. Effective for aids payable in 2009 and thereafter.

2 City aid base. Eliminates an obsolete reference to extra aid for 10 years to the city of Coon Rapids . Eliminates the extra aid for small cities with a population less than 5,000. This aid is replaced with the new small city aid base in section 0. Provides extra aid for the following cities:

- \$100,000 annually to the city of Brown 's Valley, related to flooding;
- \$100,000/year for 5 years to the city of Crookston related to facilities on a flood plain;
- \$25,000/year for 10 years to the city of Mendota related to a sewer extension; and
- \$90,000 in 2009 only to the city of Spring Lake Park, to compensate them for a delay in getting aid under the formula due to a change in the year of data used in calculating LGA amounts.

Effective for aids payable in 2009 and thereafter.

3 Small city aid base. Provides a separate small city aid base for cities with a population less than 5,000. The aid is equal to \$8.50 per capita. This replaces the small city provision eliminated in section 0.

Beginning in 2010, the small city aid base is increased in proportion to any future increases in the LGA appropriation above the pay 2009 appropriation. Effective for aids payable in 2009 and thereafter.

4 City jobs base. Establishes a separate city jobs base aid for all cities with a current population of 5,000 or more. The amount is equal to the product of (1) \$25.20, (2) its jobs per capita and (3) its population. The jobs per capita number is based on the city's jobs as certified by the Department of Employment and Economic Development as of July 15, 2008 and would not change.

The city jobs bases for any city receiving regional center aid under current law is reduced by the lesser of 36 percent of its regional center aid or \$1 million. No city's city job base may exceed \$4.725 million.

Beginning in 2010, the city jobs base is increased in proportion to any future increases in the LGA appropriation above the pay 2009 appropriation. Effective beginning with aids payable in 2009.

5 Unmet need. Defines "unmet need" as the difference between (1) the city's need per capita multiplied by its population and (2) its tax capacity multiplied by the average city tax rate.

6 County transition aid. Beginning in calendar year 2009, reinstates and makes permanent the transition aid paid to certain counties in calendar year 2007. Provides additional aid in 2009 only of \$100,000 to Pine County to help pay for a court-ordered courthouse. Effective for aids payable in 2009 and thereafter.

7 City formula aid. Changes the formula aid for each city to be equal to the sum of (1) its city jobs base, (2) its small city aid base and (3) a percentage of its unmet need. Formula aid may not be less than zero. For aids payable in 2009 only, the data used in calculating 2008 LGA is used in calculating 2009 formula aid. Beginning in Pay 2010 the formula aid will use an average of two years of unmet need based on data known as of January 1 of the year the aid is certified. Eliminates a cross-reference to the appropriation offset repealed in section 0.

Effective beginning with aids payable in 2009.

8 City aid distribution. Eliminates the provision that provides that total city aid is based one-half on the current year formula aid, and one-half on the formula aid in the previous year. This is replaced by the averaging of two years of unmet revenue need beginning with aids payable in 2010 in section 0. Provides that for aids payable in 2009 only, a city's maximum increase is 44 percent of its levy in the previous year. Adjusts the maximum aid loss for small cities in 2009 only, to allow for the elimination of the small city aid under section 0.

Effective beginning with aids payable in 2009.

9 Appropriation. Increases the city LGA appropriation beginning in 2009 by \$42 million, to \$526 million. This amount is adjusted to reflect the eliminated offsets under section 0 (this is a provision from the Department of Revenue policy bill).

Increases the county program aid (CPA) appropriation by \$22 million, to \$227 million; the increase is divided with about \$11 million each going to need aid and tax base aid.

Provides for a 2 percent increase in the appropriation for LGA and CPA for aids payable in 2010, and an additional 4 percent for aids payable in 2011 and thereafter.

Effective beginning with aids payable in 2009.

10 Utility valuation transition aid. Creates a new aid program for cities and towns to compensate for reductions in tax base due to the reassessment of public utility property being phased-in over the three-year period from 2008 to 2010. Only cities and towns that will suffer a tax base loss upon full phase-in that exceeds 4 percent of their overall tax base are eligible for transition aid payments. The payments are equal to the difference between the public utility tax capacity prior to reassessment and the public utility tax capacity for the current year, multiplied by the jurisdiction's tax rate. The aid continues in each qualifying municipality until the valuation of public utility property exceeds its assessment year 2007 valuation under the old system. For aids payable in 2009 the payments are approximately one-half of what they are expected to be in 2010 because the phase-in rate for the new assessments is only 50 percent in 2009.

Effective for aid payments in calendar year 2009 and thereafter.

11 State parks on Lake Vermilion ; PILT distribution. Provides that payments in lieu of taxes (PILT) for state park land bordering Lake Vermilion must be distributed one-third to the township, one-third to the county, and one-third to the school district. The payments may be used for general government purposes. Note: This section was repealed by S.F. 2651, article 3, section 2, subdivision 4, paragraph (e). However, the distribution of the annual payments contained in that S.F. is made in the same manner as in this section.

12 Study of aids to local governments. Authorizes a study group, made up of legislators and local government representatives, to analyze the existing LGA program and make recommendations for change by December 15, 2010 . Effective the day after final enactment.

13 Out-of-home placement aid. Provides for a one-time payment of \$500,000 in 2009 to any county meeting certain conditions relating to the county's size and its percentage of households receiving food stamps. The only county that qualifies for the aid is Beltrami County . The payment is required to be used to fund out-of-home placement programs. The payment is required to be made prior to June 30, 2009 .

14 Repealer. Repeals some LGA offsets that are currently made to the LGA appropriation amount for various costs such as demographer, the state auditor, etc. Since none of this money is actually transferred to these agencies the offset is eliminated and the appropriation decreased by the total amount of the 2008 offsets. (This is a provision from the Department of Revenue policy bill.) Effective beginning with aid payable in 2009.

Article 3: Levy Limits

Overview

This article establishes levy limits for Pay 2009 through Pay 2011 for cities with a population over 2,500 and all counties. Adds some special levies outside of limits. Suspends county maintenance of effort requirements for a number of programs while levy limits are in effect.

1 Special levies. Expands a current special levy and adds 5 new special levies. The expansions is to:

- the current special levy for PERA pension employer contribution rates pension to include employer contribution rate increases for locally administered local government pension plans.

The new special levies are:

- to cover increased costs for counties related to federal reduction in health and human service program grants;
- to cover city costs related to high levels or concentrations of foreclosures. To use it a city has to either have a 2007 foreclosure rate of at least 1.4 percent or a foreclosure rate in the city or a zip code in the city that is at least 50% higher than the seven-county metro average;
- for Minneapolis for unreimbursed traffic control and lost citation revenue costs related to the I-35W bridge collapse;
- for salary and benefits for sheriff, police, and fire personnel. To use this a local government must subtracts the levy from the previous year for these purposes from the starting levy limit base; and
- to recoup any LGA or county program aid loss if the governor unallots from these programs due to a future budget crisis.

Effective date: Effective starting with levies payable in 2009.

- 2 Levy aid base. Defines “levy aid base” to be equal to a local government’s (1) net tax capacity minus any amount levied for the purposes listed in special levies, plus (2) LGA and county program aid, (3) taconite aids, and (4) wind production credit.
- 3 Levy limits. Imposes levy limits for Pay 2009 only for cities with a population over 2,500 and all counties.

Subd. 1. Levy limit base. Uses the levy aid base defined in section 0 as the starting point for calculating levy limits.

Subd. 3. Adjustment for state takeovers. Deletes obsolete language.

Subd. 4. Adjusted levy limit base. Increases the levy limit base for:

- 50 percent of the percentage increase, if any, in the number of households;
- 50 percent of the percentage increase in taxable market value due to new commercial/industrial construction; and
- the lesser of 3.9 percent or the percentage increase in the implicit price deflator.

Subd. 5. Levy limit. A local government’s levy limit is its adjusted levy limit base minus its LGA, county program aid, taconite aids, wind production credits, and utility valuation transition aid for the year in which the levy will be payable.

Effective for levies certified in 2008 through 2011, payable in 2009 through 2011.

- 4 Authorization for special levies. Establishes the mechanism that cities must follow to use the special levy for foreclosures related costs established in section 0. The amount of this special levy is limited to documented costs up to a maximum of \$3000 per foreclosure. Allows a city to include unanticipated costs in CY 2008 to be included in the Pay 2009 levy request.

Effective for levies certified in 2008 through 2011, payable in 2009 through 2011.

- 5 Maintenance of effort and matching requirements suspended. Suspends matching fund and maintenance of effort requirements for a number of county programs, during the period that levy limits are in place.

Article 4: Income and Estate Taxes

Overview

This article:

- Modifies the definition of foreign operating corporations and makes related changes to additions to and subtractions from taxable income
- Extends the military pay subtraction to National Guard and reserve pay for drill in-state, and to in-state active service by Minnesota residents (Coast Guard, recruiters, etc.)
- Increases the credit for military service in a combat zone from \$59 to \$120 for each month of service, and provides a new credit for past military service.
- Allows the nonitemizer charitable contribution deduction under the individual alternative minimum tax
- Allows federal extensions for filing corporate and partnership returns
- Restricts the bovine tuberculosis testing credit to 50 percent of the current credit for corporate cattle owners (Article 6 provides a new property tax credit for owners of cattle within the bovine tuberculosis zone)

1 Extensions; corporate franchise returns. Grants an extension to file corporate franchise tax returns when the federal law allows a similar extension. This does not affect when tax must be paid.

Effective date: Day following final enactment

2 Extensions; partnership and S corporation returns. Requires the commissioner of revenue to grant a Minnesota extension for filing partnership and S corporation returns when the Internal Revenue Service grants an extension to file. This does not affect when tax must be paid.

Effective date: Day following final enactment

3 Foreign operating corporations. Amends the definition of foreign operating corporation (FOC). Clarifies that an interest charge domestic international sales corporation is not a foreign operating corporation. Eliminates the current law requirement that the average of the corporation's percentage of property and payrolls assigned to location outside of the United States is 80 percent or more, and substitutes the requirement that to be an FOC at least 80 percent of a corporation's gross income from all sources in the tax year is active foreign business income.

4 Subtractions from taxable income; individuals. Makes three changes:

Military pay; National Guard and reserve pay for in-state training. Extends the subtraction for compensation for military service performed in-state to apply to National Guard and reserve drill pay. Current law limits the subtraction for in-state service of Guard and reserve members to compensation for state active service (floods, disasters) and federally-funded state active service (airport security). Effective beginning in tax year 2009.

Military pay; in-state active service performed by Minnesota residents. Extends the subtraction for active military service performed in-state to apply to Minnesota residents. Federal law requires states to allow a subtraction for active service performed by nonresidents; this change would treat the approximately 40 Minnesota residents in full-time active service in-state as members of the Coast Guard, recruiters, and ROTC personnel the same as the approximately 120 nonresidents serving in Minnesota in similar positions. Effective

beginning in tax year 2009.

National service education awards. Provides an individual income tax subtraction for national service education awards, also referred to as “Americorps” or “YouthWorks” scholarships. Effective beginning in tax year 2008.

An income tax subtraction was allowed for these awards for tax years 1997 through 2004. In 2005, this subtraction was repealed with the understanding that the scholarships were no longer being awarded, making the subtraction obsolete. While state funding for scholarships had been discontinued, it has been supplanted by federal funding, with the result that the subtraction was not obsolete. This section would reinstate the subtraction that was in effect from 1997 to 2004, effective for tax year 2008.

5 Additions to taxable income; corporations; Foreign operating corporations. Provides for the following additions to federal taxable income for corporations:

- ▶ interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group, to or for the benefit of a corporation that is a member of that group that qualifies as a FOC;
- ▶ interest income and income generated from intangible property received or accrued by a FOC that is a member of the taxpayer's unitary group;
- ▶ dividends attributable to the income of a FOC that is a member of the taxpayer's unitary group equal to the dividends paid deduction of a real estate investment trust to the FOC; and
- ▶ income of a FOC that is a member of the taxpayer's unitary group in an amount that is equal to the gains derived from the sale of real or personal property that is located in the United States .

6 Subtractions from taxable income; corporations; foreign operating corporations. Provides that the subtraction from federal taxable income for a corporation for 80 percent of royalties or similar income derived from a FOC is not applicable if the income resulting from the payments is income from sources within the United States , as defined under the Internal Revenue Code.

7 Bovine tuberculosis testing credit. Reduces the income tax credit for bovine tuberculosis testing by 50 percent for cattle owned by corporate entities. Under present law, the credit equals 50 percent of expenses incurred for federally-required testing of cattle throughout Minnesota . The credit would remain at 50 percent of expenses for non-corporate cattle owners, and be reduced to 25 percent for cattle owned by corporate entities.

Effective date. Effective for tax year 2009 and following years.

8 Military service credit; current service in combat zones. Increases the credit for current military service in a combat zone or qualified hazardous duty area from \$59 per month to \$120 per month, effective for service after December 31, 2008 . Eligible areas include the Arabian Peninsula Areas, the Kosovo area, Afghanistan , and supporting areas. The \$59 per month credit would continue to apply for service from September 11, 2001 , through December 31, 2008 .

9 Military service credit; past service. Provides a new nonrefundable income tax credit for qualified individuals equal to \$750. The credit is phased out at a rate of 10 percent of adjusted gross income in excess of \$30,000.

Effective date. Effective for tax year 2009 and following years.

10 Military service credit; definitions. Defines qualified individual for the past service credit (under section 0) as someone who either served at least 20 years in the military or separated from the military with a 100 percent service-connected disability.

11 Credit refundable. Provides that only the credit for military service in a combat zone is refundable.

12 Alternative minimum taxable income. Allows individuals who claim Minnesota 's charitable contribution subtraction for nonitemizers under the regular income tax (50 percent of contributions in excess of \$500) to subtract the same amount of charitable contributions from alternative minimum taxable income as well.

Effective date: Tax year 2008

Background. Under present law, individuals who claim itemized deductions at the federal level may claim an itemized deduction for charitable contributions, which flows through to Minnesota's individual income tax. Charitable contributions made by itemizers are also allowed as a subtraction under Minnesota's alternative minimum tax (AMT).

Individuals who claim the standard deduction at the federal level are not allowed a federal deduction for charitable contributions. At the state level, they may subtract 50 percent of charitable contributions in excess of \$500 from Minnesota taxable income in calculating the regular income tax. Under present law, the nonitemizer charitable contribution subtraction is not allowed under the AMT.

- 13 Sales factor; services provided to mutual fund companies. Modifies the definition of the sales factor for sales of services to mutual funds (regulated investment companies). Under present law, these sales are treated as sales made to the mutual fund itself (i.e., they are sourced to the mutual fund's fixed place of business). This section provides that these sales will be determined based on the mailing address of the shareholders of the fund with computations made on a monthly basis.

If an insurance company is the shareholder (e.g., for a variable annuity), the corporation (i.e., the entity selling services to the mutual fund) is allowed to make an irrevocable election to treat the policyholders as the shareholders for purposes of this definition. A similar option would not apply to institutional investors, such as administrators of 401(k) plans, which would be treated as sales to the administrator of the plan.

This reverses the Minnesota Supreme Court decision (in favor of the Department of Revenue) in *Lutheran Brotherhood Research Corp. v. Commissioner of Revenue*, 656 N.W.2d 375 (Minn., 2003).

Effective date: Tax year 2010

- 14 Apportionment formula; financial institutions. Makes a conforming change in the apportionment formula for financial institutions to reflect the change to the sales factor made in section 0.

Effective date: Tax year 2010

- 15 Estate tax. Clarifies computation of the federal tax limitation for purposes of computing Minnesota estate tax, so that it is consistent with the method used before the 2001 federal EGTRRA legislation repealing the credit for state death taxes took effect.

Effective date: Estates of decedents dying after December 31, 2005

- 16 Estate tax. Recodifies the limitation on the deduction of expenses under the estate tax for amounts deducted in computing income tax liability. This is part of the changes in section 0.

- 17 Effective date. Amends Laws 2008, chapter 154, effective date, specifying that the exclusions for military pay are limited to amounts included in federal taxable income to make these changes retroactive to the original effective date of the provision (tax year 2005).

Article 5: Local Development

Overview

This article provides a border city investment credit modeled on the North Dakota SEED credit. It provides new taxing and tax increment financing (TIF) authority to the city of Bloomington to finance phase II of the Mall of America. The article modifies the Job Opportunity Building Zone (JOBZ) clawback rules and expands the Office of State Auditor's (OSA) access to JOBZ data. It provides special bond allocation rules, if congress enacts additional authorizations of tax exempt bonds for housing, as is now under consideration.

The article also provides special TIF provisions for the following cities:

- Minneapolis (three provisions)
- Crystal
- Fridley
- New Brighton
- Hopkins
- Austin
- Bloomington
- Duluth
- Wells
- Oakdale
- Dakota County
- St. Paul

1 SEED capital investment credit; DEED responsibilities. Establishes the rules to qualify for the SEED capital investment credit allowed under section 0.

Definitions . Defines the following terms (for both this section and section 0):

Border cities are the cities qualifying for the border city development program (Breckenridge, Dilworth, East Grand Forks , Moorhead , and Ortonville).

Pass-through entity is an entity that is taxed as an S corporation or partnership (including regular partnerships, limited partnerships, limited liability companies, limited liability partnerships and similar entities).

Qualified businesses are those certified by the Department of Employment and Economic Development (DEED) as meeting the following requirements:

- The business is a primary sector business, defined as a business that “through the employment of knowledge or labor adds value to a product, process, or service” and increases revenues to Minnesota businesses by selling products outside of Minnesota or provides a product that had limited availability to Minnesota customers.

- Is not a REIT (real estate investment trust).
- Is organized as a for-profit corporation, nonprofit corporation, or pass-through entity.
- Complies with Minnesota securities laws.
- Has Minnesota residents as a majority of its employees at its location in the border city.
- Has its principal office and the majority of its business activity (other than sales) in a border city or has 10 or more employees or \$150,000 of sales in a border city.
- Relies on innovation, research, or the development of new products or processes.

The DEED certification must include an expiration date, which is no later than four years after the certification. DEED can recertify a business only once after the initial certification.

Investment reporting. Requires the business to report to DEED and Department of Revenue (DOR) within 30 days after an investment is made in a qualified business on a form prescribed by the state, reporting the name of the investor, social security number, and the amount of the investment.

Effective date: Day following final enactment

- 2 Business subsidies. Increases the project size exemption under the business subsidy law to \$150,000. Under present law, the exemption is \$25,000 for direct business subsidies (e.g., a grant or tax exemption) and is \$75,000 for loans and loan guarantees.
- 3 Business subsidies, minimum wage criteria. Provides that the higher thresholds for business subsidies established under section 0 do not apply to the requirement that governmental units must set minimum wage levels for granting business subsidies. For example, if a city only grants a business subsidy that is more than \$25,000, but less than \$150,000 (the new limit in section 0), it still must comply with the requirement to establish a set of criteria for grant subsidies, such as wage floors for the jobs to be created.
- 4 Business subsidies, public notice. Increase exemption from the requirement to publish notice and hold a hearing before granting a business subsidy from \$100,000 to \$150,000.
- 5 Business subsidies, reporting. Provides that the reporting requirements continue to apply at the lower thresholds for business subsidies, notwithstanding the increases in the general exemption amounts under section 0.
- 6 Unemployment compensation data. Authorizes release of data collected in administering the unemployment compensation law to the Office of the State Auditor (OSA) to conduct audits under the Job Opportunity Building Zone (JOBZ) law.
- 7 Tax return data. Requires disclosure of tax return data on JOBZ tax incentives to OSA to conduct audits of the program.
- 8 JOBZ reporting, penalties. Requires businesses receiving JOBZ tax incentives to file an annual report listing the tax benefits by October 15th. The Department of Revenue (DOR) must notify businesses that fail to file this report on time, demanding filing within 60 days. (DOR may extend the 60-day period for good cause.) DOR is required to notify the Department of Employment and Economic Development (DEED) of noncompliant businesses. Failure to file (after expiration of the 60-day period) disqualifies the business from receiving future JOBZ tax benefits and requires repayment of two years of tax benefits.

Effective date: Beginning with reports due on October 15, 2008

- 9 SEED credit allowance. Allows an income and corporate franchise tax credit equal to 45 percent of the investment in qualifying businesses certified under section 0. The maximum credit is \$112,500 per year. A pass-through entity is treated as the taxpayer for purposes of these limitations with the credit being allowed to investors in proportion to their investments. The following requirements apply:

- Investments must be made after the certification date for the business.
- Investments must be “at risk” (e.g., they could not be funded by non-recourse debt) and must

remain in the business for at least three years.

- The business must expend the entire investment on plant, equipment, research and development, working capital, or sales and marketing.
- The credit does not apply to the controlling owners of the business or their immediate family members.

DOR can disallow the credit if it finds the business made false representations on its application for certification or if it fails to satisfy any conditions under section 0. DOR is given four years to audit credits.

A four-year carryover of credits that exceed the dollar limit (\$112,500) is allowed. The amount of the credit is limited to the amount the border cities allocate to the credit from the border city enterprise zone program. Amounts claimed that exceed this limit are allowed in the chronological order of the investment.

Effective date: July 1, 2008 , for taxable years beginning after December 31, 2007

- 10 Anoka County library bonding. Eliminates the \$1,250,000 limit on Anoka County 's special law bonding authority for county library buildings. Issuance of these bonds would be limited only by the percentage limit (0.1 percent of taxable market value) in the special law. Based on the market value for taxes payable in 2008, this would have increased the limit to \$3.13 million (or an increase of about 1.5 times).

The county can issue bonds under this special law without a referendum. Issuance of the bonds is not subject to reverse referendum, as would be the case if county capital improvement bonds were used to finance these buildings.

Effective date: Upon local approval by the county

- 11 Housing and redevelopment authority (HRA); maximum levy. Increases the maximum general operational levy of HRAs from 0.0144 percent of market value to 0.0185 percent of taxable market value. Also deletes the language that it will be based on the taxable market value for the current levy year. Hence, the maximum levy will be based on the previous year's taxable market, as is the practice with other levy limits based on taxable market value.

Effective date: Taxes payable in 2009

- 12 Tax original tax capacity; error corrections. Authorizes the county auditor to correct errors in the certification or decertification of tax increment financing (TIF) districts, as well as other errors related to the computation of increment. Counties are given flexibility to recertify or change certifications, extend the duration limit of the district, or adjust tax rates in later years to eliminate or correct the effect of the error. The county must notify the city and development authority before taking action and DOR and OSA after taking action.

Effective date: Applies to all TIF districts

- 13 Repayment of JOBZ benefits. Exempts JOBZ businesses from the repayment requirement (often called the "clawback" provision), if they continue to be a qualified business and to operate in the zone. The full repayment obligation would apply only to businesses that stop operating in the zone or that are no longer qualified businesses. A business that fails to meet its job or investment promises under the business subsidy agreement (BSA) or stops being a qualified business (for failing to meet its relocation agreement) may still be subject to repayment under the provisions of section 0.

A number of substantive changes in the repayment requirements are also made:

- Investors who receive JOBZ benefits, but who are not themselves qualified businesses (e.g., these include owners of property leased to JOBZ businesses or investors in a JOBZ business), are explicitly made subject to repayment on the same terms as the businesses with the BSA.
- Repayments of property tax are distributed to all taxing districts, not just the city or town, county, and school district. This will allow distributions to special taxing districts, such as

watershed districts or HRAs. The commissioner of DOR is to distribute city and county sales tax repayments.

- Property tax statements for repayment of property taxes must be provided to the taxpayer of record in addition to the business (e.g., the owner of property leased to the JOBZ business).
- Clarifications of the payment dates are made for sales, corporate franchise, and property taxes, to more clearly determine the 2-year period to which the repayment obligation applies.
- A business cannot qualify for income or franchise tax benefits for any part of a year in which it is subject to a repayment obligation or for any property taxes payable during that year.
- Waivers of the repayment for a qualified business also extend to persons other than the qualified business that receive JOBZ tax benefits (e.g., an investor for the capital gain exemption or the owner of real property leased to the JOBZ business). In addition, the commissioner must waive repayment for these persons, if (1) they are not related parties (under the federal tax law definition, such as family members, corporations that are members of the same controlled group, and so forth) with the JOBZ business and (2) their actions did not contribute to the default.

Effective date: Day following final enactment

- 14 Breach of BSAs by businesses continuing to operate in zone. Creates a new provision that deals with JOBZ businesses that continue to operate in the zone, but do so in violation of the terms of their BSAs (e.g., if they have not created the required number of jobs or investment). These businesses are subject to the requirement to repay two years of tax benefits, unless they enter a new or an amended BSA with DEED.

These businesses lose at least one year of JOBZ tax benefits – i.e., for the year in which they did not comply with the BSA. They may lose additional years, because the section requires a proportionate reduction in the zone duration based on the size of their violation of the BSA. (This implies that the amount or value of the breach of the BSA is reduced to a dollar amount – perhaps on a present value basis – and that this amount is compared to the total value of the business’s obligation and the result is used to determine the number of years – rounded to a whole number – that the zone duration is, then, reduced by. There may be issues with how to do this, when the BSA involves pledges of numbers of jobs and other obligations, such as investment amounts.) Once adjusted under this provision, the zone duration cannot be readjusted.

A business that violates the second business subsidy agreement cannot use this section again, and is permanently barred from future JOBZ benefits. It is also subject to repayment of two years of benefits.

Effective date: Day following final enactment for all violations of business subsidy agreements except those resolved before the effective date

- 15 No amendments of BSAs. Prohibits amending a BSA or relocation agreement to change jobs creation, retention or wages goals, unless it is done under the provisions of section 0.

Effective date: Day following final enactment for all BSAs, regardless of when they were executed

- 16 Annual certifications of eligibility. Requires JOBZ businesses to certify each December 1 to DEED that they are in compliance with their BSAs. Businesses that do not do so permanently lose eligibility to participate in JOBZ and must repay two years of tax benefits. The certification is public information.

Effective date: Day following final enactment

- 17 OSA audit authority. Authorizes OSA to request tax return and unemployment compensation return information from DOR and DEED in order to perform JOBZ audits.

Effective date: Day following final enactment

- 18 Metropolitan Council transit bonding. Authorizes the Metropolitan Council to issue up to \$33 million of bonds or other debt instruments to fund the regional transit master plan and transit capital improvements. The

authorization applies in the seven-county metropolitan area.

Effective date: The day following final enactment.

- 19 Project-based federal assistance payments. Authorizes the Minnesota Housing Finance Agency (MHFA) to
issue bonds for residential rental projects funded through project-based federal assistance payments. This
20 section permits Minnesota to access new bonding authority under consideration in Congress.
Housing replacement districts; Minneapolis and Crystal . Modifies the authority of the cities of Minneapolis
and Crystal to use increments from their housing replacement TIF districts.

Minneapolis is permitted to use these tax increments for parcels not included in the housing replacement district so long as the expenditures are for parcels that are vacant sites, contain vacant houses, or contain substandard houses (these are the types of parcels that the city could include in the housing replacement district).

Crystal is allowed to use the increment for any purpose in the city that is permitted for housing district increments under general law.

- 21 Hopkins TIF. Modifies a 2003 special law that authorized the city of Hopkins to extend the duration of a
redevelopment tax increment financing district by four years to authorize the city to spend up to 20 percent of
the district’s increment on housing activities outside of the district.
22 Minneapolis , homeless TIF district. Modifies a 2006 special law for the city of Minneapolis that authorized
the city to create a special housing TIF district. This expands the maximum permitted area of this district from
six acres to eight acres. The original calculations of the area did not take into account the area of public streets
and sidewalks, but the language of the law requires the district to be contiguous and does not exclude these
areas.
23 Fridley TIF. Modifies the 2008 special law for the Northstar transit station in the city of Fridley to allow
increments to also be used to pay for costs related to “access” to the station. In addition, it clarifies that this
district may be smaller than the defined area. If the initial district is smaller than the defined area, the section
allows the city to create additional districts in this area under the general law rules. These districts would
qualify to spend increment for purposes of the transit station and to provide access to it, regardless of the
general law restrictions on spending increment. These districts would not qualify for the other exemptions
under the 2008 special law. In addition, these districts would be given a 5 percentage point higher pooling
percentage (30 percent, rather than 25 percent). The authority to create these districts terminates in 2017.
24 New Brighton TIF. Modifies the 2008 special law for the city of New Brighton to allow the city to extend the
duration of districts and subdistricts in the Northwest Quadrant project area by an additional four years. In
addition, it grants an exemption from the pooling restrictions for two additional districts in the city, if the
moneys are expended for costs in the Northwest Quadrant project area.
25 Austin TIF. Provides an exemption from the 5-year rule for TIF District No. 9 in the city of Austin . This
exemption allows the city to use increments to pay for money spent by its housing and redevelopment
authority to dispose of soils and debris in the TIF district after the end of the permitted 5-year period.

Background information. The 5-year rule requires spending of increment for “in-district” activities (i.e., those within the area of the TIF district itself, not the larger “project” area) to be completed within 5 years after the district is certified. After the end of this period, all increments (other than those permitted to be pooled) must be spent to pay back bonds or other obligations incurred during the 5-year period.

Effective date: Upon local approval by the city

- 26 Bloomington TIF. Extends the 5-year rule to 10 years for the city of Bloomington ’s TIF District No 1-I,
Bloomington Central Station.

Background information – see section 0

Effective date: Upon local approval by the city and port authority

- 27 Bloomington TIF provisions. Authorizes the city of Bloomington to transfer property from the Phase I TIF
(No. 1-C) district to the Phase II TIF district (No. 1-G). This property represents of the portion of the Phase I
district that has not been developed or that contains the Phase I parking ramp. Because Phase II district’s
duration runs through 2018 and Phase I district’s ends in 2015, the transfer will allow the collection of three

additional years of increment from these parcels.

The tax capacity of the Phase II district would be increased by \$208,000, reflecting the parcel transfer.

Various special requirements are imposed on the Phase II TIF district:

- All increments must be used for public infrastructure costs (e.g., the parking ramp or streets) and public improvements under the restated agreement between the MOA and Bloomington .
- Bloomington is to enter a contract with the developer requiring Phase II to be constructed, to the greatest extent practicable, from American steel as a condition for receiving public assistance. No theater or auditorium providing live entertainment may be built on the site, but this does not prohibit movie theaters, nightclubs, or museums.
- Drawing water from an aquifer for a man-made lake, water park or similar is prohibited.
- The agreement is to require payment of wages sufficient to generate annual income equal to the federal poverty level for a family of four (approximately \$21,000 for 2007). This requirement applies only to full-time, permanent employees. Temporary or seasonal employees are exempt, as are nonprofit employers and businesses with fewer than 50 employees.
- Affordable access to amusement areas of the facility must be provided.
- The developer must enter a labor peace agreement with the labor organization that is most actively engaged in attempting to represent hotel workers in Hennepin and Ramsey counties. The agreement must prohibit boycotts or similar efforts to discourage patronage of the hotel for at least five years. This does not apply to retail operations with less than \$250,000 of gross revenues per year.

Effective date : Upon local approval by the city of Bloomington

28

Local taxing authority. Authorizes the city of Bloomington to impose several local taxes, the proceeds of which must be used to finance the parking facility for Phase II of MOA:

- Sales tax: a general sales and use tax of up to 1 percent on sales within the two MOA TIF districts
- Lodging tax : a lodging tax with a up to 1 percent within a taxing district in the city that the city council defines and must include the two MOA TIF districts
- Admissions and recreation tax : up to a 1-percent tax on admissions to entertainment and recreational facilities and rental of recreational equipment within the MOA TIF districts or within a bigger area that the city specifies
- Food and beverage tax : up to 3-percent tax on food and beverages for consumption on or off the premises within the MOA TIF districts

Lodging tax proceeds use . Bloomington is authorized to use the proceeds of its existing city lodging tax (notwithstanding restrictions under another law) derived from facilities within the Phase II TIF district for the project, rather than the usual purposes for which those revenues must be used. That is, the city would be allowed to use its existing lodging tax revenues from the Phase II MOA hotel(s) for the MOA Phase II parking ramp.

Effective date : Upon local approval by the city of Bloomington

29

State revenue bonds. Authorizes the city of Bloomington to contract with the state to issue revenue bonds to

finance the project. These revenue bonds could be issued by the commissioner of finance, the Agricultural and Economic Development Board, or the Public Facilities Authority. The developer must be a party to this contract.

These bonds could be issued to pay for project costs, cost of issuance, and to refund the bonds. The amount of bonds is limited to the estimated cost of the parking facility and soft costs. The bonds may only be paid with the taxes authorized under section 0.

These bonds are revenue bonds and are not a general or moral obligation of the state. State taxes cannot be used to pay the bonds. Standard bond provisions are included, providing pledging of the revenue, allowing refunding, and so forth. The state pledges not to impair the bond contract. (However, under the Minnesota constitution, the state cannot contract away the power of taxation, except by issuing general obligations bonds as specifically authorized by the constitution.)

30 State review and required development agreement. Imposes conditions that Bloomington and MOA must meet before the city can contract with a state entity to issue the bonds:

- The city and the developer must provide to the commissioner of finance all of the materials and information necessary for the commissioner to evaluate the project and make the required “but-for” determination. (See the next bullet.)
- The commissioner of finance must make a written determination that the financial assistance provided is necessary to make the project financially feasible.
- The city, Bloomington port authority, the developer, and the commissioner of finance must enter a development agreement.
- The Legislative Commission on Planning and Fiscal Policy must approve the development agreement before it becomes effective.

Required contents of the development include:

- The minimum amount of the private improvements the developer must provide
- The developer’s contribution to the parking facility
- The start and finish dates for the project
- Requirement that the assistance be used solely for the construction of the parking facilities and to reimburse the state for its costs in evaluating the deal
- The port authority will own the facility
- The developer will pay for operating, capital improvement and repair of the facility
- The developer pays for the construction costs and is reimbursed as it completes required private improvements

31 TIF extension; Duluth district No. 20 and 21. Extends the 5-year rule to 10 years for two TIF districts in the city of Duluth .

Background information – see section 0

32 Effective date: Upon local approval by the city
Wells; use of increments. Deems the following payments, received after the end of the duration of the City of Wells Downtown Development Program 1 TIF district, to not be increments:

- Rents from a building
- Proceeds from selling the building

This will allow the city to treat these moneys as unrestricted city funds (e.g., the city could deposit them in its general fund and use them for any permitted city purpose). This building was acquired with tax increments

and, therefore, under the general law definition of “increments,” rents generated by the building or the proceeds from selling it are tax increments – i.e., they can only be used for purposes specifically authorized by statute. Because this TIF district was created before July 1, 1982, pooling is not permitted and the city would be required to spend the increments on TIF permitted activities within the old district. (The city also could distribute the increments to the city, county, and school district in proportion to their respective tax rates under the excess increment law. These distributions would need to be made each year and the dollar amounts involved are very small.)

33 Effective date: Upon local approval by the city
Northwestern Minnesota Multi-county HRA levy authority. Authorizes the Northwestern Minnesota Multi-county HRA to levy up to 25 percent of the statutory HRA levy without approval of its constituent cities or counties. This, in effect, makes the HRA a special taxing district for purposes of this levy. The rest of the statutory levy authority would be subject to approval by the city or county, as is provided by the general law.

34 Effective date: For taxes payable in 2009 through 2014
Oakdale TIF. Authorizes the city of Oakdale, if it creates redevelopment TIF districts in two separately defined areas of the city (one of these areas is commonly referred to as the Oakdale Center Mall and other as Tanners Lake Commercial Area), to elect to have the original net tax capacity of these districts be based on the tax capacity of the land only.

35 Effective date: Upon local approval by the city
Dakota County TIF. Permits the Dakota County Community Development Authority to designate additional property to be acquired by the authority for a tax increment financing project without meeting the general law procedures that apply to approval of an original tax increment financing plan, if the property consists of one or more parcels under common ownership and is acquired from a willing seller for the purpose of development as a housing project. This exception applies if the acquisition is approved by the governing body of the authority after publishing notice and holding a hearing.

36 City of St. Paul, TIF district. Authorizes the city of St. Paul to establish a new redevelopment TIF district with the same area and original tax capacity of its downtown pre-1979 TIF district. As a condition for establishing the district, the city must enter an agreement with Ramsey County providing for transfer of the increment attributable to the county’s tax rate to the county. The increments from the district would be used to pay the convention center bonds. The district terminates in 2023.

37 Because this is a new district, it would contribute to the fiscal disparities pool, unlike the pre-1979 HRA districts. To prevent the district from affecting local government aid, county program, or school aid, the captured net tax capacity of the district is included in adjusted net tax capacity for those programs.
City of Minneapolis, TIF district. Authorizes Minneapolis to establish a new redevelopment TIF district with the same area and original tax capacity as all of its pre-1979 TIF districts. As a condition for establishing the district, the city must enter an agreement with Hennepin county providing for transfer of the increment attributable to the county’s tax rate to the county. The increments from the district would be used to pay interest on the Target Center bonds and for neighborhood revitalization. The district terminates in 2020.

38 Because this is a new district, it would contribute to the fiscal disparities pool, unlike the pre-1979 HRA districts. To prevent the district from affecting local government aid, county program, or school aid, the captured net tax capacity of the district is included in adjusted net tax capacity for those programs.
Temporary increase in annual volume cap. Permits Minnesota to access new bonding authority for housing purposes that is under consideration in Congress.

The commissioner of finance will determine the aggregate dollar amount of the additional authority, which would be allocated as follows:

- 43 percent to the housing pool (with 31 percent for single family housing program)
- 30 percent to MHFA
- 12 percent to the city of Minneapolis
- 9 percent to the city of St. Paul

- 6 percent to the Dakota County Community Development Agency

Each issuer is required to submit data on home purchase price, mortgage, income, household size, and race of the households served by the mortgage bonds and credit certificates.

The following rules apply to the amount allocated to the housing pool:

- Other amounts in the housing pool are to be used first
- Amounts in the pool resulting from the temporary increase in the volume cap remains until the last Monday in November
- Unused amounts are allocated to MHFA

The following rules apply to the bonding allocated to the single-family housing programs:

- This bonding authority (i.e., reserved for single family housing out of the housing pool allocation) is available to cities that applied in January 2008 (January 2009, if the special allocation is made available in 2009)
- MHFA may issue bonds on behalf of cities from this allocation
- Allocations are made on a first-come-first-served basis
- Total allocation are limited to 31 percent until November 2008 (or November 2009, if the special allocation is made in 2009)
- MHFA may carryforward mortgage bond allocations

Issuers can carryforward these allocations to the extent permitted by federal tax law.

Article 6: Property Taxes

Overview

- Reduces the class rate for the first tier of agricultural homestead property from 0.55 percent to 0.5 percent.
- Establishes a “rural vacant land” class and changes eligibility requirements for the “Green Acres” program, effective for taxes payable in 2010; “grandfathers in” all properties in the green acres program as of assessment year 2008.
- Makes a number of changes in the assessment process aimed at increasing the quality of assessments and the amount of information available to taxpayers.
- Provides a moratorium on changes in assessment practices for institutions of purely public charities and requires the commissioner of revenue to conduct a study and report the findings by February 1, 2009.
- Establishes a state-paid property tax credit for property in bovine tuberculosis zones where cattle herds have been located.
- Increases the limit on the amount of economic development abatements a jurisdiction may authorize.
- Authorizes an exemption for electric generation machinery for a new generation facility, and extends exemption criteria for two other facilities.
- Authorizes a county board to allow certain leased property used for seasonal recreational purposes to be partially exempt from property taxes, under certain conditions (land is exempt and improvements are taxable).
- Establishes a program allowing property containing commercial aggregate deposits to be valued at its agricultural value under certain conditions; counties may elect to opt-out of the program. This is somewhat similar to the “green acres” program. Effective beginning for taxes payable in 2010. Also increases the rate of the aggregate tax and modifies its distribution effective January 1, 2009.
- Authorizes the city of Brooklyn Center to establish a crime-free multi-housing program.

1 Retired employee health benefits. Extends the date for school districts to levy for retiree health benefits by six years, for employees having left service before July 1, 1992 , to July 1, 1998 . Effective for taxes payable in 2009 and thereafter.

2 Powers and duties. Provides that the commissioner of revenue must assist local assessors in valuing “industrial special-use property,” defined as property that:

is uniquely designed and equipped for a particular industry;

is not easily adapted to another use;

has facilities of at least 75,000 square feet; and

has a value of at least \$10 million based on the assessor’s preliminary determination.

Effective for assessment year 2009, taxes payable in 2010, and thereafter.

3 Electric generation facility; personal property (Mesabi Energy). Extends the date by which construction must begin on the Mesabi Energy designated innovative energy project by two years, to January 1, 2012 .

4 Electric generation facility; personal property (Lower St. Anthony). Extends the date by which construction must be started on the Lower St. Anthony hydroelectric generation facility by two years, to January 1, 2011 .

5 Fergus Falls historical zone. Exempts property located on the site of the former Regional Treatment Center (RTC) in Fergus Falls from the property tax. The exemption applies to land and buildings acquired by the city before January 1, 2007 . The exemption applies for 15 years after the date specified by the city’s resolution designating the area. The exemption is phased out over the last three years of the designation as follows:

- 75 percent for the third to the last year;
- 50 percent for the second to the last year; and
- 25 percent for the last year of duration.

Effective for property taxes payable in 2009 and thereafter.

6 Electric generation facility; personal property. (a) Exempts the attached machinery and personal property that is part of a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity. The proposed facility is being built in the City of Elk River (Sherburne County). At the time of construction the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be owned by an electric generation and transmission cooperative;
- (3) be located within one mile of an existing 16-inch natural gas pipeline and a 69-kilovolt and 230-kilovolt high-voltage electric transmission line;
- (4) be designed to provide peaking, emergency backup, or contingency services;
- (5) have been issued a certificate of need demonstrating demand for its capacity; and
- (6) have received local approval from the governing bodies of the county and the city where the facility is located for the personal property exemption.

(b) Requires the construction of the facility to be commenced after January 1, 2008 , and before January 1, 2012 . The exemption does not include electric transmission lines and interconnections appurtenant to the property or facility.

Effective for assessment year 2008, taxes payable in 2009, and thereafter.

7 Exemption; certain leased land. Allows a county board to adopt a resolution exempting land leased from governments from the property tax if the land is rented by the entity for noncommercial seasonal-

recreational/residential use and was exempt from property taxation for taxes payable in 2008. The improvements continue to be subject to property taxation. Effective beginning for taxes payable in 2009. Commissioner review of local assessment practices. Requires the commissioner of revenue to review assessment practices within a specified taxing jurisdiction, if requested in writing, by the greater of: (1) five property owners, or (2) 10 percent of the registered voters in the taxing jurisdiction who voted in the last general election. Requires the commissioner to report the findings of the review to the county board of the affected county, to the affected city council or town board, and to the property owner designated in the request as the person to receive the report on behalf of those signing the request. Effective day following final enactment.

Vacant land platted on or after August 1, 2001 ; located in metropolitan counties. Provides that land described in section 0 will have a different phase-in schedule from the current three year phase-in for platted land in the seven county metro area. Also provides that the phase-in terminates if the property is sold or transferred. Effective for taxes payable in 2010 and thereafter.

Vacant land platted on or after August 1, 2001 ; located in nonmetropolitan counties. Provides that the seven-year phase-in period for platted vacant land in nonmetropolitan counties terminates if the property is sold or transferred. Effective for taxes payable in 2010 and thereafter.

Certain vacant land platted on or after August 1, 2001 ; located in a metropolitan county. (a) Provides that unimproved land in the metro area platted on or after August 1, 2001, and (i) classified as homestead in the year prior to platting, (ii) owned or part-owned by the same person for the ten consecutive years prior to the initial platting, and (iii) remains under the same ownership for the current assessment year, is eligible for a seven-year phase-in assessment schedule, as provided in this subdivision.

(b) The assessor shall determine the estimated market value of each individual lot based on its highest and best use as unplatted land for the year in which it was platted.

(c) The taxable market value shall be the market value determined in (b), plus one-seventh of the difference between the property's unplatted market value in (b) and the market value based on the highest and best use of the land as platted for the current year; multiplied by the number of assessment years since the property was platted.

(d) If the property is sold or transferred or construction begins before the expiration of the seven-year time period, the lot shall be based on the estimated market value as platted in the next assessment year.

(e) Requires an owner of property qualifying under this subdivision platted before July 1, 2008 , to apply for valuation under this subdivision for the remainder of the seven-year period. (Note: if a property under a three-year phaseout has already passed the three-year point, the property would be eligible for the remaining years up to seven.)

(f) Applies to the seven metropolitan counties.

Effective for taxes payable in 2009 and thereafter, except that portion of paragraph (d) referring to a lot that is sold or transferred is effective for taxes payable in 2010 and thereafter.

"Green Acres" requirements. Makes a number of changes in eligibility requirements for the Green Acres program. Eliminates the minimum income requirement. Makes minor and technical changes relating to green acres eligibility for family farm corporations. Authorizes green acres eligibility for property classified as agricultural land and buildings (2a) under section 0. Except for the "grandfather" provision (section 0), provides that property classified as rural vacant land (2b) under section 0 and property enrolled in CRP, CREP, RIM, and similar programs is not eligible for participation. Retains the 10-acre minimum requirement and the "primarily devoted to agriculture" requirement. Effective for assessment year 2009, taxes payable in 2010 and thereafter.

Property no longer qualifying. (a) Provides a "grandfather clause" so that properties that were enrolled in green acres for taxes payable in 2009, but that are no longer eligible due to the eligibility changes made in this act, may continue to receive green acres treatment until any part of the property is sold, transferred, or subdivided, provided that the property continues to meet the requirements in effect for taxes payable in 2009, except for the minimum income requirement.

(b) Provides that when property under this subdivision is withdrawn from the program or becomes ineligible for participation, seven years of back taxes are due, unless the property is classified as agricultural (class 2a) or is withdrawn or becomes ineligible prior to January 2, 2009 , in which case only three years of back taxes are due. Provides that back taxes are calculated by taking the average difference between the taxes based on the low value and the taxes based on the highest and best use value for the previous three years, multiplied by the appropriate number of years. Also provides that the number of years of back taxes that are imposed may not exceed the number of years that the property was enrolled in green acres.

14 Determination of value. (a) Provides that for agricultural property, the commissioner of revenue shall develop a methodology for determining the agricultural value for properties enrolled in the green acres program, and requires counties to utilize the methodology developed by the commissioner. (This methodology has already been developed and is in various stages of implementation from county-to-county.)

(b) Provides that for nonagricultural property that is enrolled in green acres due to the grandfathering provision under section 0, the “agricultural value” shall be the value used for taxes payable in 2009, increased each year by the average growth in taxable market value for all properties in the county.

Effective for assessment year 2009, taxes payable in 2010 and thereafter.

15 Application. Allows the assessor to request that an applicant for participation in the Green Acres program provide a copy of the appropriate federal income tax schedule or form showing farm income. Effective May 1, 2008 .

16 Additional taxes. Technical change involved with the elimination of the income requirement repealed in section 0. (Pay-back tax liability for property under the Green Acres program, other than “grandfathered” property, remains at three years, as in current law.) Effective for taxes payable in 2010 and thereafter.

17 Special assessments. Technical change involved with the elimination of the income requirement repealed in section 0.

18 Continuation of tax treatment upon sale. Technical changes involved with the elimination of the income requirement repealed in section 0.

19 Special assessments; Green Acres. Provides that watershed district assessments under chapter 103D are not deferred under Green Acres for property initially qualifying under the program for taxes payable in 2009, and for watershed district assessments for new projects after May 31, 2008 , for all property in the program. Property enrolled in the program for taxes payable in 2008 shall continue to have the special assessments deferred that were initially imposed prior to May 31, 2008 . Effective for assessments payable in 2009 and thereafter.

20 Implementation; Green Acres. Requires all county assessors to implement the Green Acres program for assessment year 2009 unless the Commissioner of Revenue determines that a county is unable to comply, in which case the county must implement it for assessment year 2010, payable in 2011.

21 Aggregate resource preservation property tax law. Establishes an Aggregate Resource Preservation Property Tax Law for certain property containing unmined commercial aggregate. This program is similar to the Agricultural Green Acres program.

Subd. 1. Definitions. Defines “commercial aggregate deposit” and “actively mined.”

Subd. 2. Requirements. Provides that the real estate qualifies if:

(1) the property is classified as residential homestead, disabled/blind homestead, agricultural homestead or nonhomestead, or timber;

(2) the property is at least ten contiguous acres, at the time the application is filed;

(3) the owner has filed an application with the county assessor located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts the use of the property’s surface to that which exists on the date of the application and limits its future use to the preparation and removal of the aggregate

commercial deposit under its surface.

Subd. 3. Application. Provides that the application for valuation deferment must be filed by May 1 of the assessment year. Once an application is filed and granted, it continues in effect for subsequent assessment years until the property no longer qualifies, provided that the required supplemental affidavits are timely filed. The application is filed with the assessor on a form prescribed by the commissioner of revenue and is executed and acknowledged in the same manner as is required for a deed. The application must contain:

- legal description of area;
- name and address of owner;
- copy of affidavit; and
- statement of proof from the owner that the land is subject to a restrictive covenant as described in subdivision 2. The covenant must be binding on the owner or the owner's successor or assignee, and runs with the land, except as provided in subdivision 5 allowing for the covenant's cancellation under certain conditions.

Subd. 4. Determination of value. Qualifying land must be valued as if it were agricultural property, using a per acre valuation equal to the current year's per acre valuation of agricultural land in the county. Prohibits the assessor from considering any additional value resulting from potential alternative and future uses of the property. The buildings located on the land are valued in the normal manner.

Subd. 5. Cancellation of covenant. Provides that the covenant may be cancelled in either of two ways:

- (1) by the owner beginning with the next assessment year provided that the additional taxes have been paid at the time of the cancellation; or
- (2) by the city or town where the property is located beginning with the next assessment year, if the city council or town board:
 - changes the conditional use of the property;
 - revokes the mining permit; or
 - changes the zoning to disallow mining.

No additional taxes are imposed under clause (2).

Subd. 6. County termination. Provides that a county may, following notice and public hearing, terminate application of this section within two years of the effective date (this section is effective on the day following final enactment). The termination is effective upon adoption of a county board resolution.

A county has 60 days from receipt of first application to notify applicants of the county's intent to begin the termination process. The county must act on termination within six months. Upon termination any applications received prior to and during this period are void. If the board doesn't act within six months, those applicants shall be deemed enrolled. Following this 60-day period, a termination applies prospectively and does not affect property enrolled under this section prior to the termination date. A county may subsequently reauthorize application by a county board resolution revoking the termination.

Subd. 7. Additional taxes. Provides that additional taxes are due when land that has been under this

program no longer qualifies. They are determined by:

- (1) computing the difference between the (i) current year's taxes based upon the agricultural valuation, and (ii) an amount determined by the assessor based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate; and
- (2) multiplying the amount of difference in clause (1) by the number of years the land was enrolled in the program.

The market value determined by the assessor for this calculation must not be greater than if the property was sold in an arms-length transaction. The additional taxes must be extended on the current tax lists and no interest or penalties are due if timely paid. Additional taxes must not be imposed on that portion of the property which has been actively mined and has been removed from the program.

Subd. 8. Supplemental affidavits; mining activity on land. Requires an owner to file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of property that is actively being mined. Any acres being actively must be valued and classified as commercial property in the next subsequent assessment year, and must be removed from the program under this section. Additional taxes under subdivision 7 must not be imposed on the acres actively mined.

Copies of the original affidavit and supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources. Supplemental affidavits must be filed each time a subsequent portion of property is actively mined, provided that the minimum acreage change is five acres, even if the area mined is less than five acres. If these affidavits are not timely filed, additional taxes are imposed.

Subd. 9. Lien. Provides that the additional taxes imposed by this section are a lien on the property, and when collected, must be distributed as other property taxes.

Subd. 10. Continuation of tax treatment upon sale. Provides that when qualifying property under this program is sold, additional taxes must not be extended on the property if the property continues to qualify and if the new owner files an application with the assessor for continued deferment within 30 days after the sale.

Effective for taxes levied in 2009, payable in 2010, and thereafter, except that for the 2009 assessment, the application date is September 1, 2009, and subdivision 6 (county opt-out) is effective the day following final enactment.

22

Tax credit for property in bovine tuberculosis management zones.

Subd. 1. Definitions. (1) Defines "proposed bovine tuberculosis modified accredited zone" as the zone proposed by the Board of Animal Health.

(2) Defines "located within" to mean that a herd is kept in the area for at least part of calendar year 2007.

Subd. 2. Eligibility; credit on agricultural land. Provides that agricultural land located in the bovine tuberculosis zone is eligible for a property tax credit if the property owner has eradicated a cattle herd that had been kept on that land for at least part of the year in order to prevent the onset or spread of bovine tuberculosis. The credit is equal to the property tax on the parcel where the herd had been located, excluding any tax attributable to residential structures.

Subd. 3. Reimbursement for lost revenue; appropriations. Requires the county auditor to certify the amount of tax lost to the county from the property tax credits under subdivision 2 to the Commissioner of Revenue. Provides that the Commissioner review the certifications and make any necessary

changes. Requires the Commissioner to reimburse each taxing district for the taxes lost at the same time that other state aid payments are made. Appropriates the amount necessary to make this reimbursement to the commissioner from the general fund.

Subd. 4. Termination of credit. Provides that the credits under this section cease in the year after the Board of Animal Health certifies that the state is free of bovine tuberculosis.

23 Property valuation notice. Requires the valuation notice to provide information about the availability of data used by the assessor to determine the value of property, including the location of the information, the times when those locations are open to the public, and the county's website address. Effective for notices prepared in 2009 and thereafter.

24 Relative agricultural homestead. Allows an agricultural property to be homesteaded if the person occupying the property is the brother or sister of the owner, or of the owner's spouse. Currently, homestead treatment is allowed only if the occupant is the son or daughter, father or mother, or grandson or granddaughter of the owner or of the owner's spouse. Effective for assessment year 2008, taxes payable in 2009, and thereafter.

25 Special agricultural homestead. Currently, agricultural land which is not contiguous to the owner's residence is considered to be part of the owner's agricultural homestead if it meets all of the following conditions: (1) is farmed by the owner or a close relative; (2) both the owner and the person farming the land are Minnesota residents; (3) neither the owner nor the owner's spouse claims another agricultural homestead; and (4) neither the owner nor the person farming the land live farther than four townships or cities from the property.

This section changes the existing requirements to extend the concept of "close relative" in clause (1) to the brother or sister of the owner or the owner's spouse to mirror the change made to the regular relative homesteads (see previous section).

Effective date: Effective for assessment year 2008, taxes payable in 2009, and thereafter.

26 Class 2. Decreases the class rate on the market value of the first tier of agricultural homestead property from 0.55 percent to 0.5 percent.

Redefines agricultural classification as follows:

- Class 2a is agricultural land and buildings; and
- Class 2b is rural vacant land.

Provides that an agricultural homestead consists of a residence and some amount of agricultural land, plus any rural vacant land that is contiguous to the agricultural land. Class rates for agricultural homesteads apply to the portions of the property classified as agricultural and the portions of the property classified as rural vacant land.

Class rates for nonhomestead agricultural land remain the same as current law, and for nonhomestead rural vacant land are the same as nonhomestead agricultural land, and timberland (except for the new class 2c managed forest land created in the first 2008 omnibus tax bill, Laws 2008, chapter 154).

Provides that class 2a may contain some amount of property that would otherwise be class 2b, if impractical for the assessor to value separately from the rest of the property. Allows the assessor to split-classify a parcel between class 2a and any other class of property.

Broadens the definition of "agricultural purposes" for property to be classified as agricultural to include property used for drying or storage of agricultural products, and to include storage of machinery or equipment used to support agricultural production. Stipulates that the agricultural products must be produced "for sale" to qualify for the agricultural classification.

Provides that the presence of a minor, ancillary nonresidential structure does not disqualify a property from the rural vacant land (2b) classification. Provides that any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, with 10 acres assigned to the split

portion that includes the structure.

Provides a name (class 2c managed forest land) for the new sub-class created in Laws 2008, chapter 154, consisting of forest land less than 1,920 acres that is managed under a forest management plan but not enrolled in the sustainable forest resource management incentive program. Requires the commissioner of natural resources to provide verification of a property's eligibility for this sub-classification. Increases the minimum acreage requirement for this classification from 10 acres to 20 acres, and provides that the 1,920 acre limit is a statewide limit per taxpayer.

Allows property of less than 10 acres in size to be classified as agricultural land if it is exclusively or intensively used for raising or cultivating agricultural products. Provides that if the property contains a residential structure, it must be used intensively for one of the qualifications in a specific list of prescribed categories to be eligible to receive classification as agricultural land.

Includes "short rotation woody crops" in the list of agricultural products.

The changes shown in *italics* are effective for assessment year 2008, taxes payable in 2009, and thereafter. The remaining changes are effective for assessment year 2009, taxes payable in 2010, and thereafter.

Class 2e; classification for commercial unmined aggregate. Establishes a new "sub-class" for property containing the commercial aggregate deposit that is not being actively mined, with a class rate of 1 percent of market value.

Adds paragraph (l) defining property that contains the commercial aggregate deposits and that is eligible for the 1 percent classification. Provides that the property must be at least ten contiguous acres and the owner must record with the county recorder an affidavit containing:

- legal description of property;
- disclosure that the property contains a commercial aggregate deposit that is not actively being mined;
- documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and
- documentation that a permit has been issued by the local government or the mining activity is allowed under the local ordinance. The disclosure must contain a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

Defines:

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

Provides that when any portion of the property classified under this paragraph begins to be actively mined, the owner must file a supplemental affidavit within 60 days and the property must be classified as commercial in the next subsequent assessment year.

Effective for taxes levied in 2009, payable 2010, and thereafter.

Class 4. Commercial seasonal class; restaurants on lakes. Includes property up to three acres located on a lake and operated as a restaurant within the commercial seasonal class, with a class rate of 1.25 percent and not subject to the state general tax. The property must either be devoted to commercial purposes for not more than 250 days per year or must receive 60 percent of its gross receipts during four consecutive months.

- 28 Currently this property is classified commercial. Effective for taxes payable in 2009.
 Classification of unimproved property. Provides that property classified as rural vacant land is not subject to the general law governing how vacant land is to be classified. Effective for taxes payable in 2010 and thereafter.
- 29 Agricultural market value credit. Makes technical changes to the agricultural market value credit to conform to the renaming of subclasses of agricultural property in section 0. Effective for taxes payable in 2010 and thereafter.
- 30 Computation of net property taxes. Includes the bovine tuberculosis zone credit in the list of credits that the auditor subtracts from each property's gross tax to arrive at its net tax. Effective for taxes payable in 2009 and thereafter.
- 31 Tax-exempt property. Makes a conforming change related to the county option to exempt land leased from governments provided in section 0.
- 32 County board of review meetings and appointments. Allows county boards of review to conduct meetings on Saturdays. Requires counties that conduct either regular board meetings or open book meetings to hold at least one meeting each year that does not end before 7:00 PM . Requires counties that require taxpayer appointments to include some available times that extend until at least 7:00 PM . Effective for assessment year 2009 and thereafter.
- 33 Failure to certify proposed levy. Provides that if a taxing authority fails to certify its proposed levy by the appropriate due date, the county auditor shall use the authority's previous year's final levy for purposes of determining its proposed property tax notices and public advertisements. Current law does not specify what levy should be used if one is not timely certified by a taxing authority. Effective for notices prepared in 2008, property taxes payable in 2009, and thereafter.
- 34 Ramsey County/St. Paul/S.D. No. 625; hearing. Allows Ramsey County, the City of St. Paul, and S.D. No. 625's joint truth-in-taxation hearing to be held "during the week of" the second Tuesday of December, rather than "on" the second Tuesday of December. Effective for taxes levied in 2008, payable in 2009, and thereafter.
- 35 Apportionment of proceeds to taxing districts. Provides that when apportioning the net proceeds from the sale of tax-forfeited land, special assessments charged against the parcel must be distributed to the appropriate governmental subdivision (i.e., city, county, town, etc.). Current law references only "municipal subdivision," which generally refers only to cities. However, other local governments also have the authority, and do impose special assessments. This change clarifies that the proceeds will be apportioned to the appropriate governmental authority. Effective day following final enactment.
- 36 Definitions. Clarifies the definition of "importer" as a person who buys aggregate material "excavated" in the county rather than "produced" in the county. Effective January 1, 2009 .
- 37 Tax imposed. Paragraph (a) increases the aggregate production tax from a current rate of "up to" ten cents per cubic yard or "up to" seven cents per ton to 21.5 cents per cubic yard or 15 cents per ton. The imposition of this tax is a county option; currently about 34 counties impose the tax.

The tax is not imposed on the aggregate excavated in the county until it is transported from the site or sold, whichever occurs first.

Paragraph (b) imposes the same proposed tax rates on importers as on operators in paragraph (a). Except for the tax rate increase, (a) and (b), are basically recodifying current law into two paragraphs: (a) how an operator in the county is taxed on the aggregate material, and (b) how an importer is taxed on the aggregate imported into the county. Paragraph (d) prohibits a county, city, or town that receives revenue under this section from imposing any additional host community fees on the aggregate production. Effective January 1, 2009 .

- 38 Penalties; removal of aggregate. Clarifies that penalties for removal or importation of aggregate relate to all previous reporting periods. Effective January 1, 2009 .
- 39 Proceeds of taxes. Changes the distribution of the aggregate production tax. Allows the county to retain an annual administrative fee of up to five percent of the total taxes collected.

After the reduction for the administrative fee the balance is as follows:

	Current	H.F. 3149
County road and bridge fund	60%	42.5%

Town road and bridge fund or city general fund as determined by county board	30%	
General fund of city or town where the mine is located or to the county, if mine is in an unorganized town		42.5%
Restoration of abandoned pits, quarries, or deposits	10%	15%

If no abandoned pits, quarries, or deposits, this portion must be used for any other unmet reclamation need or for conservation or other environmental needs; current law deposits this portion in the county's road and bridge fund. Effective January 1, 2009 .

40 Levy; first responder associations. Authorizes county boards to levy taxes within an unorganized territory where first responder services are provided. Effective for taxes payable in 2009 and thereafter.

41 Petition for removal of district. Authorizes the town board to vote to refund any surplus taxes or charges collected for its subordinate service district if the district is removed, after all outstanding obligations have been paid in full. The refund must be distributed equally to property owners within the discontinued district who were charged the extra tax or service fee during the most recent tax year for which the tax or service fee was imposed. Any surplus goes to the town's general fund if not refunded. Effective the day following final enactment.

42 Ordinances; collection of fees. Authorizes the governing body of a municipality to recover delinquent vacant building registration fees under a municipal program designed to identify and register vacant buildings. These unpaid special charges are collected through the property tax process. They are listed on the property tax statement and are required to be paid at the same time as property taxes. If not paid, they become a lien on the property in the same manner as property taxes.

Also modifies the unpaid special charges relating to a municipal housing code violation by allowing any unpaid charges for inspections relating to these code violations. Currently the language refers only to re-inspections which find noncompliance after the compliance due date to correct a code municipal housing maintenance code violation.

Effective the day following final enactment.

43 Abatement limit. Converts the percentage limit on economic development abatements from 10 percent of the current tax levy to 10 percent of net tax capacity (i.e. standard property tax base) for the taxes payable year to which the abatement applies. Jurisdictions continue to be allowed to abate up to \$200,000, if that is greater than the amount determined by the "regular" limit. Effective for abatements approved after the day following final enactment.

44 Effective date. Corrects an error in the earlier 2008 tax bill (Laws 2008, chapter 154) to provide that the class rate change and tier change for class 1c homestead resort property is to be effective beginning in taxes payable in 2009.

45 **Tax levy; airport authorities.** Deletes the requirement that the governing body of the municipality that contains the airport can approve or modify the amount of the levy that is certified to the municipality by the airport authority. The airport authority will certify the levy directly to the county auditor. Effective for taxes payable in 2009 and thereafter.

46 White Community Hospital District.

Subd. 1. Authorized. Permits any two or more of the cities of Aurora , Biwabik, and Hoyt Lakes , and the towns of Biwabik, White, and Colvin to establish a hospital district by resolution even though they are not contiguous to each other. The resolution may be adopted after public notice, subject to reverse referendum.

Subd. 2. Powers; may make grants. The hospital district is organized and has the powers of other hospital districts with exceptions.

The hospital district may levy taxes as provided in subdivision 7 to make grants to the White Community Hospital . The grants may be used for any purpose a hospital district may use money for, but they may not be used to provide medical student loans in exchange for a promise to work for the

hospital.

Subd. 3. Annexation; detachment. Permits any other city, town or unorganized area in St. Louis county to join the district. Permits detachment from the district. In both cases, the action is by resolution without a referendum. Specifies the effective date for an annexation or detachment.

Subd. 4. Unorganized areas. Provides that an unorganized area may join the district by submitting to the hospital district and the county auditor, a petition signed by 51 percent of residents in the area.

Subd. 5. Hospital district board. Provides for a board made up of a city council member or town board supervisor of each member city or town, appointed by and serving at the pleasure of the city council or town board. Provides for the St. Louis County Board to appoint a resident of an unorganized area that is a member of the district, to serve at the pleasure of the county board. Provides that if the district has only two member communities, each must appoint two elected officials.

Subd. 6. No compensation; expenses. No compensation, but appointing authorities may pay per diem and expenses for their members.

Subd. 7. Operating tax levy. Authorizes a tax levy at a uniform rate on all taxable properties in each participating city, town, and unorganized area. Provides that the maximum amount that can be levied cannot exceed 0.066088 percent of fully taxable market value.

The levy limit rate specified would yield revenues of about \$200,000 based upon four jurisdictions participating, using payable 2008 data. Since the levy limit rate is based on market value, the limit automatically increases as market values increase or as other taxing jurisdictions join the district.

47 Effective the day after enactment without local approval for taxes levied in 2008, payable in 2009 and after. Vadnais Lake Area Water Management Organization; storm sewer utility fees. Allows the Vadnais Lake Area Water Management Organization (VLAWMO) to certify to the county auditor any fees or charges imposed by the organization and the parcels on which the charges are imposed. Requires the county auditor to extend the charges on the property tax statements. The amounts must be certified by November 30 for taxes payable in the following year. If the charges are not paid, they become delinquent and are subject to the same penalties and same rate of interest as real property. Requires the county auditor to pay VLAWMO the charges collected at the same time and in the same manner as property taxes. Allows the auditor to charge VLAWMO a fee to recover the costs of administering the charges. Effective the day following final enactment.

48 Participation in crime-free multi-housing program; Brooklyn Center pilot project. (a) Requires “qualifying property” under paragraph (b) located in Brooklyn Center to participate in a crime-free multi-housing program in order to receive the 4d property classification.

If the property is not certified within one year after its initial 4d classification, or does not annually maintain its program certification, the city shall notify the property owner that the property must be in compliance in order to maintain its 4d classification. If it is not in compliance within one year after receiving the notice, a second notice is issued and the owner has one year to comply. If the owner is still not in compliance, the Minnesota Housing Finance Agency (MHFA) shall be notified and the property shall be removed from the list of qualified 4d properties certified to the county assessor.

Once removed from the list, the property is not eligible for class 4d until the property owner complies with this subdivision. Certification to MHFA must be made by May 15th to be effective for taxes payable in the following year.

(b) Defines “qualifying property” as property that:

(1) is located in a city (i.e., Brooklyn Center)that offers a crime-free multi-housing program through its city police department;

(2) has police calls over the preceding two-year time period exceeding the average number of calls for multi-unit rental properties in the jurisdiction, adjusted for number of units, by at least 25 percent;

(3) has received a request in writing from the police department that the owners or managers enroll in the crime-free program which has not been complied with within 60 days, or where the owner or manager failed to complete all three phases of the program within a specified time; and

(4) is determined by the governing body of the city to be qualifying property.

(c) Provides that calls for police or emergency assistance for medical needs or domestic abuse do not count toward the call limit in paragraph (b), clause (2).

(d) Requires property qualifying for 4d classification for taxes payable in 2008 to fulfill the requirements of this section by May 15, 2011 , in order to retain the classification for taxes payable in 2008.

(e) Provides that if the city utilizes the program under this section, on or before January 1, 2017 , the city shall make a report to the chairs of the house and senate tax committees describing the effectiveness of the program.

Local approval is required. This section expires after taxes payable in 2017.

Assessments of properties of purely public charities.

49

Subd. 1. Application. (a) In order to facilitate a review of the property tax exemption of nonprofit organizations as purely public charities by the 2009 Legislature, and to develop standards and criteria for the tax status of these facilities:

(1) requires the commissioner of revenue to conduct an analysis of standards applied to determine the tax status of these organizations; and

(2) prohibits changes in assessment practices and polices regarding the property of these organizations.

(b) States that the purpose of this study is to allow the legislature to evaluate whether the judicially established rules and the assessment practices and polices in applying those rules to determine their tax status ensures that public benefits are, at least, commensurate with the costs of the exemption. Further states that the legislature does not intend, in requiring the study, to indicate any intention to expand or narrow the existing rules for exempting institutions of purely public charity.

Subd. 2. Report by commissioner of revenue. (a) Requires the commissioner to survey all county assessors on:

(1) the tax status of these institutions located in the state, including detail on the type of organization and the use of the property; and

(2) their practices and polices in determining the tax status of these institutions, including the extent to which the assessment practices and polices require the institutions to provide goods or services at free or below market prices and on the treatment of government payments.

(b) Requires the commissioner to report the findings to the chairs of the house and senate tax committees by February 1, 2009 .

Subd. 3. Moratorium on changes in assessment practices. (a) Prohibits an assessor from changing current practices or polices used generally in assessing property of institutions of purely public charities.

(b) Prohibits an assessor from changing the assessment of the taxable status of an existing property of

these institutions, unless the change is made as a result of a change in ownership, occupancy or use of the facility, or to correct an error. Allows the assessor to change the estimated market value of current taxable property.

(c) Provides that this subdivision expires on the earlier of:

(1) enactment of legislation establishing criteria for the property taxation of purely public charities; or

(2) adjournment of the 2009 regular legislative session to a date in calendar year 2010.

Effective for the 2008 assessment, taxes payable in 2009.

50 Federal audit; school district levy. Requires the commissioner of education to calculate the revenue each school district needs to replace the federal revenue lost due to a federal audit of the state plan for Local Collaborative Time Study (LCTS) school-based services. Allows a school district to replace the amount of lost federal revenue with a levy increase for taxes payable in 2009 through 2011, not to exceed one-third of the amount in each year.

51 Comfort Lake/Forest Lake watershed district. Provides that the Comfort Lake-Forest Lake Watershed District will be considered a watershed management organization under Minnesota Statutes, section 103B.205, subdivision 13. That law currently applies just to watershed districts that are wholly located within the metropolitan area, or joint powers entities established wholly or partly within the metropolitan area. The district will be authorized to manage or plan for the management of surface waters within the watershed district's boundary as it existed on April 1, 2008, in Chisago and Washington Counties through the authorities provided both in the chapter dealing with watershed districts and the chapter dealing with watershed management organizations. This will increase the districts' potential levy authority. Effective the day following final enactment.

52 Repealer. Paragraph (a) repeals an exemption for an electric power plant that was anticipated to be built by a taconite and steel mill that was never built. Effective for taxes payable in 2009 and thereafter.

Paragraph (b) repeals an obsolete provision providing for the phase-in of platted vacant land to its full taxable value. Effective for taxes payable in 2009 and thereafter.

Paragraph (c) repeals the green acres minimum income requirement, effective for assessment year 2009, taxes payable in 2010, and thereafter.

Article 7: Sales and Use Taxes

Overview

Provides a sales tax exemption for construction of the Central Corridor light rail transit (LRT) project. Exempts purchases of rolling stock for commuter rail operations.

Provides a number of smaller new sales tax exemptions and expansions to existing exemptions.

Provides exemptions from the motor vehicle sales tax for some transfers made from the United Way to its clients,

Includes the local sales tax provisions for the cities of Clearwater , North Mankato, and Winona that were contained in the vetoed 2007 omnibus tax bill. Includes a modified version of the Cook County local sales tax and lodging and admissions taxes provisions from the 2007 vetoed bill. Extends the existing Proctor sales tax and the existing Mankato local sales tax as well as authorizing a new Mankato food and beverage and admissions taxes. Makes a minor modification to the use of the existing Two Harbors sales tax.

- 1 Ambulance supplies, parts and equipment. Extends the sales tax exemption for repair and replacement parts for ambulances to vehicles equipped and specifically intended for emergency response. Effective for sales and purchases after June 30, 2008 .
- 2 Sales of certain goods and services to government. Provides a sales tax exemption for to the Northstar corridor rail project rolling stock and repair part purchases similar to the exemption for light rail transit (LRT) rolling stock and repair parts purchased by the Metropolitan Council. Requires the tax to be paid at the time of purchase and refunded as provided in section 0.

Effective retroactively to purchases made after December 31, 2006 .
- 3 Regionwide public safety radio communication system; products and services. Extends the area covered by the public safety radio exemption to include purchases for the part of the system located in Itasca County . Effective for sales and purchases made after June 30, 2008 .
- 4 Construction materials for qualified low-income housing projects. Expands the current exemption for construction of low income housing projects to include limited partnerships where the managing general partner is a public housing agency, HRA, entity acting as an HRA or a qualifying nonprofit. Currently limited partnerships only qualify if the sole partner is one of these entities. Effective for sales and purchases made after June 30, 2009 .
- 5 Construction materials; Central Corridor LRT. Exempts construction materials and supplies used in, and equipment incorporated into, the Central Corridor LRT line and associated facilities from the sales tax. Requires the tax to be paid at the time of purchase and refunded as provided in section 0. Requires that refunds not be applied for until after July 1, 2009 .

Effective for sales and purchases made after June 30, 2008 .
- 6 Refund; appropriation. Provides the refund mechanism for the exemptions contained in sections 0and 0. The refund applicant must be the governmental entity that owns or contracts for the project or facility. Requires that refund applications be filed after June 30, 2009 .

Limits the refunds paid on the Central corridor construction project to a total of \$5 million in FY 2010 and 2011.

Effective the day after final enactment.
- 7 Authorization; scope (local sales taxes). Prohibits a political subdivision from promoting spending money, or

holding a referendum to support imposing a new local sales tax unless the tax was authorized by law before May 20, 2008 . The prohibition is in effect until May 31, 2010 but does not apply to extensions of an existing tax.

Effective the day after final enactment.

- 8 Exemptions (motor vehicle sales tax). Allows a charitable organization that holds a motor vehicle dealer license to give a motor vehicle to an individual who is a client in a lease-to-own program without the transfer being subject to the motor vehicle sales tax. The Greater Twin Cities United Way is currently the only organization that would qualify. Effective for sales and purchases made after June 30, 2008 .
- 9 Use of revenues (Mankato local sales tax). Changes the authorized use of the existing Mankato local sales tax by eliminating the use for operations and expanding the allowed construction purposes to include a performing arts theatre and women’s hockey center attached to the Mankato convention center.
- 10 Expiration of taxing authority and expenditure limitation (Mankato local sales tax). Extends the required expiration date of the tax from December 31, 2018, to December 31, 2022 . Removes obsolete language referring to allowing use of the local sales tax for operations that is eliminated in section 0.
- 11 Two Harbors. Allows the city of Two Harbors to use revenues from its existing local option sales tax for the purpose of water system improvements.
- 12 Proctor sales and use tax. Corrects an obsolete cross-reference.
- 13 Proctor use of revenues. Allows the city of Proctor to use revenues from its existing local sales tax to fund a number of capital improvements to public utilities, sidewalks and trails, and parks.
- 14 Proctor bonding authority. Allows the city of Proctor to issue an additional \$7.2 million in bonds, without a referendum, to fund the projects in section 0.
- 15 City of Mankato , reverse referendum. Requires the city to publish a resolution of its intent to extend the local sales tax and modify its revenue use under sections 0and 0, hold a public hearing, and allow 30 days after publishing a second notice after the public hearing for voters to petition for a referendum on the issue. The referendum is required if at least ten percent of the number of voters at the last general election requests a vote. The vote can be held at a general or special election.
- 16 City of Mankato . Allows Mankato to impose by ordinance up to a one percent food and beverage tax and up to a one percent entertainment tax. Revenues from these taxes would be used to fund the operation and maintenance of the Mankato Civic Center , including the attached performing arts theatre and women’s hockey center. These taxes would not expire.
- 17 Cook County lodging and admissions taxes.

Subd. 1. Lodging tax. Allows Cook County to impose up to a one percent lodging tax in the county. This tax is in addition to the up to three percent lodging tax allowed under general law and the combined rate of the two taxes may not exceed four percent. No referendum is required to impose the tax.

Subd. 2. Admission and recreation tax. Allows Cook County to impose up to a three percent tax on admissions to entertainment and recreational facilities and the rental of recreational equipment. No referendum is required.

Subd. 3. Use of taxes. Revenues from the taxes imposed in subdivisions 1 and 2 must be used to fund the Cook County Event and Visitor’s Bureau. The money may not go to the bureau until the county board approves the annual budget of the Bureau.

Subd. 4. Termination of taxes. Requires the taxes imposed under subdivisions 1 and 2 to terminate 15 years after they are first imposed.

- 18 Cook County ; taxes authorized. Allows Cook County to impose a one-half cent local sales and use tax to fund the listed projects.

Subd. 1. Sales and use tax. Authorizes the county to impose a one-half cent local sales tax, based on voter approval at a general or special election before December 31, 2009 . States that the statutory provisions regarding local sales taxes will apply.

Subd. 2. Use of revenues. Allows the county to use revenue from the tax imposed in subdivision 1

to spend up to \$14 million plus associated bond costs for capital projects and improvements to a county community center and recreation area; and the Grand Marais Public Library.

Subd. 3. Bonding authority. Allows the county to issue up to \$14 million in bonds for the project listed in subdivision 3, based on the election approving the tax.

Subd. 4. Termination of taxes. Requires the taxes imposed under subdivision 1 to terminate at the later of 20 years or when revenues first meet or exceed an amount equal to \$14 million plus any additional costs, including interest, related to the bond issuance. Allows the city to terminate the tax earlier if it so desires. Any revenues raised after funding of the specified projects shall go into the general fund.

19 City of Clearwater ; taxes authorized. Allows the city of Clearwater to impose a one-half cent local sales and use tax to fund the listed projects.

Subd. 1. Sales and use tax. Authorizes the city to impose a one-half cent local sales tax, based on voter approval at the 2006 general election. States that the statutory provisions regarding local sales taxes will apply.

Subd. 2. Excise tax. Allows the city to impose a \$20 per vehicle excise tax on all motor vehicle sales made by dealers located within the city.

Subd. 3. Use of revenues. Allows the city to use revenue from the taxes imposed in subdivisions 2 and 3 to spend up to \$12 million plus associated bond costs for a pedestrian bridge and a community and recreation center.

Subd. 4. Bonding authority. Allows the city to issue up to \$12 million in bonds for the project listed in subdivision 3, based on the election approving the tax.

Subd. 5. Termination of taxes. Requires the taxes imposed under subdivisions 1 and 2 to terminate at the earlier of 20 years or when revenues first meet or exceed an amount equal to \$12 million plus any additional costs, including interest, related to the bond issuance. Allows the city to terminate the tax earlier if it so desires.

20 City of North Mankato ; taxes authorized. Allows the city of North Mankato to impose a one-half cent local sales and use tax to fund the listed projects.

Subd. 1. Sales and use tax. Authorizes the city to impose a one-half cent local sales tax, as already approved by voters at the 2006 general election. The statutes regarding local sales taxes will apply to the imposition, collection, and administration of the tax.

Subd. 2. Use of revenues. Allows the revenues collected from the taxes in subdivision 1, up to \$6 million plus associated bond costs, to be used for:

- the local share of the Trunk Highway 14/County State Aid Road Highway 41 interchange project;
- development of regional parks and hiking trails;
- expansion of the North Mankato Taylor library;
- riverfront development; and
- lake improvement projects.

Subd. 3. Bonding authority. Allows the city to issue up to \$6 million in bonds for the projects listed in subdivision 2, based on the election approving the tax.

Subd. 4. Termination of taxes. Requires the tax imposed under subdivision 1 to expire when revenues raised first equals or exceeds \$6 million, plus associated bond costs.

21 City of Winona , taxes authorized. Allows the city of Winona to impose a one-half cent local sales and use tax

to fund the listed projects.

Subd. 1. Sales and use tax. Authorizes the city to impose a one-half cent local sales tax, if approved by voters at a general or special election held before December 31, 2009 . The statutes regarding local sales taxes will apply to the imposition, collection, and administration of the tax.

Subd. 2. Use of revenues. Allows the revenues collected from the taxes in subdivision 1 to be used for constructing a street connection from the city to Minnesota State Highways 61 and 43 to provide access for the city industrial park and a local hospital. The amount funded from this tax is limited to \$8 million plus associated bond costs.

Subd. 3. Bonding authority. Allows the city to issue up to \$8 million in bonds to fund the project in subdivision 2, based on the voter approval required to impose the tax.

Subd. 4. Termination of taxes. Requires the tax imposed under subdivision 1 to expire at the earlier of (1) five years, or (2) when revenues raised are sufficient to pay for the authorized project plus associated bond costs. The city may choose to terminate the tax at an earlier time if it wishes.

22 Repealer. Repeals the limit on the amount of Mankato 's general local sales tax revenue that could be used for operations. Effective upon enactment of section 0.

Article 8: June Accelerated Tax Payments

Overview

Increases the percentage of the June tax collections that must be remitted early, from 80 percent to 90 percent. This affects sales tax, cigarette and tobacco tax, and alcohol excise tax, where the vendor or distributor has an annual tax liability of at least \$120,000.

- 1 Sales and use tax (June accelerated payment). Increases the percent of June sales and use tax receipts that must be paid by larger tax collectors in June from 80 percent to 90 percent. Effective beginning with June 2009 sales tax receipts.
- 2 Accelerated payment of June sales tax liability; penalty for underpayment. Adjusts the "safe harbor" provision for estimating the amount of June receipts that must be remitted in June to reflect the percent increase in section 0.
- 3 June accelerated payment; tobacco excise. Increases the percentage of estimated June liability required to be paid from 80 percent to 90 percent for the cigarette excise tax and the tobacco products tax. Effective beginning with June 2009 sales tax receipts.
- 4 June accelerated payment; alcohol excise taxes. Increases the percentage of estimated June liability required to be paid from 80 percent to 90 percent for the liquor, wine, and beer excise taxes. Effective beginning with June 2009 sales tax receipts.

Article 9: Special Taxes

Overview

Reauthorizes the mortgage and deed taxes in Hennepin and Ramsey Counties and extends them through 2012.

Exempts spotter trucks and disaster response vehicles from the motor vehicle registration tax through June 2013, and two-wheeled vehicles from county wheelage taxes in the metro area.

Provides for uniform registration fees for buses used to transport people within cities.

- 1 County wheelage tax exemption; two-wheeled vehicles. Exempts motorcycles, motorized scooters, and
2 motorized and electric-assist bikes from the metropolitan county wheelage taxes. Effective August 1, 2008 .
- 3 Motor vehicle registration tax exemption; disaster response vehicles. Exempts motor vehicles used by
4 nonprofit charities exclusively for disaster response and related activities and vehicles owned by ambulance
5 services from the motor vehicle registration tax. This would exempt, for example, trucks used by the Red
6 Cross to transport medical and other relief supplies to respond to floods, tornadoes, and similar disasters.
- 7 Motor vehicle registration tax exemption; spotter trucks. Exempts spotter trucks (trucks used only for moving
8 semi-trailers for freight operations) from motor vehicle registration taxes. Effective the day following final
9 enactment and expires June 30, 2013 .
- 10 Intracity bus registration tax. Eliminates the schedule of registration taxes based on city size for buses used
11 within cities to transport people, so that all buses of this type are registered at an annual \$2 fee.
- 12 No certificate issued; spotter trucks. Directs the Department of Public Safety not to issue a certificate of title
13 for a spotter truck.
- 14 Definition; spotter truck. Defines a spotter truck as a type of truck-tractor that is only used for moving semi-
trailers around for freight operations.
- Spotter trucks; regulations. Establishes traffic regulations for spotter trucks, allowing them to be operated on
public streets if certain conditions are met, including the driver having a commercial driver's license,
compliance with truck size and weight laws, annual commercial vehicle inspections, and only being operated
within 2 miles of the home facility.
- Definitions; motor vehicle inspections. Excludes potter trucks from the types of commercial motor vehicles
that must be annually inspected.
- Inspection requirement; spotter trucks. Requires spotter trucks operated in Minnesota to display a valid safety
inspection decal.
- Ramsey County deed and mortgage tax; 5-year extension. Reinstates the authority of Ramsey County to
impose a mortgage registry tax (MRT) and deed tax for its environmental response fund and provides an
expiration date of January 1, 2013 , for this authority. The county's authority to impose this tax expired on
December 31, 2007 .
- Ramsey County environmental response fund. Eliminates the authority of Ramsey County to administer its
environmental response fund (funded with the MRT and deed tax) as a regional rail authority.
- Ramsey County environmental response fund; permitted uses. Eliminates the authority of Ramsey County to
use its fund for economic development, recreation, housing, transportation, or rail traffic. Limits amount that
may be used each year for administrative costs to three percent of the amount in the fund.
- Hennepin County deed and mortgage tax; 5-year extension. Reinstates the authority of Hennepin County to
impose a MRT and deed tax for its environmental response fund and provides an expiration date of January 1,
2013 , for this authority. The county's authority to impose this tax expired on December 31, 2007 .
- Hennepin County environmental response fund; permitted uses. Limits the amount that may be used each
year for administrative costs to three percent of the amount in the fund.

Article 10: Minerals

Overview

This article:

- Imposes the production tax on iron bearing materials, effective for production in 2009 and thereafter.
- Provides a special 11.4-cent per ton distribution in 2008 only of production tax revenues for various special public projects on the Iron Range .
- Increases the distribution to the higher education account from 2 cents to 5 cents.
- Adds a 3-cent per ton distribution to certain taconite towns, effective for distributions beginning in 2009

- 1 Iron bearing material. Defines iron bearing material by reference to the new definition in section 0.
- 2 Expenses of IRRRB members. Provides legislative members of the Iron Range Resources and Rehabilitation Board (IRRRB) will be reimbursed for expenses in the same manner provided when they are acting on legislative business, including the receipt of interim per diem. Non-legislative members will receive per diem at the lowest rate for legislators.
- 3 Forest land sales. Authorizes the commissioner, with approval of the IRRRB, to sell forest lands acquired as part of the Iron Range Miners' Memorial Forest .
- 4 Data classification. Provides that data collected by the commissioner of iron range resources and rehabilitation from applicants for loans or equity investments is private data or nonpublic data. The names of the recipients of the financial assistance and the amounts of financial assistance are public data.
- 5 Production tax credit. Redirects the use of the economic development production tax distribution to workforce development and associated public facility improvements. In addition, ten cents per ton of the 2008 distribution is set aside for a loan for a biomass energy facility, if it is approved by IRRRB. This loan is subject to payment of interest and repayments are deposited in the economic development fund. If the loan is not made, the proceeds are transferred to the economic development fund.
- 6 Production tax; iron bearing material. Extends the production tax to iron bearing material, effective for 2009 production. This tax will be imposed on the basis of current year production, unlike the tax on taconite which is imposed on the average of the last three years of production. (This will prevent the new tax from being phased in over three years, when production of iron bearing material begins.) This material is now taxed as semi-taconite at a rate of 10 cents per ton. The production tax rate was \$2.26 for 2007 production.
- 7 References to iron bearing material. Adds references to iron bearing material in the statute that provides that the production tax is in lieu of all other taxes (other than the occupation tax). This is consistent with the extension of the production tax to iron bearing materials in section 0.
- 8 Production tax distribution to towns. Provides for a 3 cent per ton distribution to town located entirely in the taconite relief area. This distribution will begin for the 2009 distribution and is indexed to increase as the production tax rate increases. Distributions to a town cannot exceed \$50,000.
- 9 Higher education distribution. Increases the distribution of production tax revenues to the Iron Range higher education account from 2 cents to 5 cents.
- 10 References to iron bearing material. Adds references to iron bearing material in the statute that provides for annual estimates of the tax revenues by the commissioner of revenue. This is consistent with the extension of the production tax to iron bearing materials in section 0.
- 11 Sale of forest land. Authorizes the commissioner, with approval of the IRRRB, to sell forest lands acquired with money from the Douglas J Johnson economic protection trust fund. Proceeds from the sales are deposited in the trust fund.
- 12 Definition of iron bearing material. Modifies the definition of iron bearing material in present law to eliminate the provision that specifies that this is to be taxed like semi-taconite and that this is limited to

material produced in excess of 100,000 tons or 25,000 tons from a 40-acre tract with specified phosphorus content or sulphur content. Iron bearing material will be taxed under the production tax, as provided in section 0.

- 13 Effective date. Modifies the effective date of the 2008 chapter 154 provision that interest will be paid on the special distribution to Central Iron Range Sanitary Sewer District (to the sewer district and not to St. Louis County), making it effective for the 2007 distribution, rather than the 2008 distribution.
- 14 Electric generation plants. Clarifies that the 2008 law that subjected certain electric generation plants in the taconite area to property taxation did not affect the status of those plants as “taconite facilities” for purposes of determining the geographic area of taconite tax relief area.
- 15 2008 production tax distributions. Provides for a special distribution of 11.4 cents per ton of the 2008 production tax revenues. This money is to come from surplus in the fund used to pay the taconite homestead credit. If this amount is not sufficient, the rest comes from the economic development fund. The provisions of this distribution supercede the provisions of H.F. 1812 (the omnibus finance bill), if both are enacted into law. The special distribution is allocated:
1. 2 cents to the Hibbing Economic Development Authority to retire bonds and for economic development
 2. 1 cent divided equally among four school districts (St. Louis county, Ely, Mountain Iron-Buhl, and Virginia)
 3. 0.25 cent to Grand Rapids for industrial park work
 4. 0.65 cent to the city of Aitkin for sewer and water for housing projects
 5. 0.5 cent to Crosby for well and water tower infrastructure
 6. 0.5 cent to Two Harbors for well and water tower infrastructure
 7. 1.5 cents to Silver Bay for improvements at a former school building, to be used for economic development purposes
 8. 1.5 cents to St. Louis county to extend sewer and water service from Chisholm to the county fairgrounds
 9. 1.5 cents to the White Community Hospital for debt restructuring
 10. 0.5 cent to Keewatin for street, sewer, and water improvements
 11. 0.5 cent to Calumet for street, sewer, and water improvements
 12. 1 cent to Breitung town for sewer and water extensions, associated with development of a new state park (if the park is not established by July 1, 2009 , the money must be transferred to the economic development fund).
- 16 Repealer. Repeals section 298.405, subdivisions 2, 3, and 4, which relate to the present law tax on iron bearing material that is replaced by section 0’s imposition of the production tax on this material.

Article 11: Federal Update

Overview

This article updates references to the Internal Revenue Code in the statutes relating to tax types other than income, corporate franchise, and estate taxes. (The legislature regularly updates the references for those taxes, as well as the references in the property tax refund and tax administration chapters.) The updating is done by linking the references to the definition of the Internal Revenue Code in the tax administration chapter (289A), so that future updates to that reference will automatically update these references as well. These updates would rarely have any measurable effects on tax liability or state revenues.

- 1 Internal Revenue Code reference; property tax exemption for emergency shelters. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapters 270 to 284.
- 2 Internal Revenue Code reference; property tax exemption for transitional housing facilities. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapters 270 to 284. Also updates references to the Minnesota Housing Finance Agency Law of 1971 to refer to the law as amended.
- 3 Internal Revenue Code reference; property tax exemption for property used to provide computing resources to the University of Minnesota. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapters 270 to 284.
- 4 Internal Revenue Code reference; property tax exemption for certain Superior National Forest property. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapters 270 to 284.
- 5 Internal Revenue Code reference; property tax exemption for business incubator property. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapters 270 to 284.
- 6 Internal Revenue Code reference; property tax exemption for agricultural historical society property. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapters 270 to 284.
- 7 Definitions; scope. Expands the list of defined terms applying throughout chapters 270 to 284 to include the new Internal Revenue Code reference provided in section 0.
- 8 Internal Revenue Code definition; property tax. Provides that throughout the principal property tax chapter the term “Internal Revenue Code” means the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A.)
- 9 Internal Revenue Code definition. Provides that throughout chapters 270 to 284, the term “Internal Revenue Code” means the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A).
- 10 Internal Revenue Code reference; limited equity co-op apartments. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapter 273.
- 11 Internal Revenue Code reference; leasehold co-ops. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapter 273.
- 12 Internal Revenue Code reference; low-income rental property. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapter 273.
- 13 Internal Revenue Code reference; class 4 property. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in chapter 273.
- 14 Internal Revenue Code reference; designated transfers. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a

- 15 definition of that term for use in the mortgage registry tax and deed tax chapter.
Internal Revenue Code reference; reorganizations. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in the mortgage registry tax and deed tax chapter.
- 16 Internal Revenue Code definition; mortgage registry and deed taxes. Provides that throughout the mortgage registry and deed tax chapter the term “Internal Revenue Code” means the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A).
- 17 Internal Revenue Code reference; MinnesotaCare research credit. Specifies that the Internal Revenue Code reference used in the MinnesotaCare tax research credit is to the code as defined in the general tax administration chapter (289A).
- 18 Internal Revenue Code reference; gasoline tax. Updates a reference to the Internal Revenue Code in the gasoline tax chapter to be to the code as defined in the general tax administration chapter (289A).
- 19 Internal Revenue Code references; sales tax. Updates the references to the Internal Revenue Code in the sales tax chapter to mean the Code as defined in the general tax administration chapter (289A).
- 20 Internal Revenue Code reference; transfers of motor vehicles. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in the motor vehicle sales tax chapter.
- 21 Internal Revenue Code definition; motor vehicle sales tax. Provides that throughout the motor vehicles sales tax chapter the term “Internal Revenue Code” means the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A).
- 22 Internal Revenue Code reference; motor vehicle sales tax exemptions. Changes a reference from the Internal Revenue Code as amended through a certain date to a general reference to the Internal Revenue Code; section 0 provides a definition of that term for use in the motor vehicle sales tax chapter.
- 23 Internal Revenue Code reference. Updates a general reference to the Internal Revenue Code used throughout the cigarette and tobacco tax chapter to mean the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A).
- 24 Internal Revenue Code reference. Updates a general reference to the Internal Revenue Code used throughout the alcoholic beverage tax chapter to mean the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A).
- 25 Internal Revenue Code reference. Updates a reference to the Internal Revenue Code used in determining bad debt offsets to the solid waste management tax to mean the Internal Revenue Code of 1986, as defined in the general tax administration chapter (289A).

Article 12: DOR Individual Income and Corporate Franchise Taxes

Overview

This article makes a number of technical and other minor changes in the individual income and corporate franchise taxes, as recommended by the Department of Revenue.

In addition, it modifies the withholding requirement, enacted by chapter 154 of Laws 2008, as it applies to independent contractors (eliminating the explicit application to bulk filers).

- 1 Corporate franchise tax fractional year returns. Clarifies that the due date for filing a fractional year return of the 15th day of the third month after the end of a tax year applies both to corporations and unitary groups of corporations. Also corrects a reference relating to the general combined reporting requirement.
- 2 Foreign operating corporations. Clarifies that a corporation is required to have a minimum amount of payroll and property to qualify as a foreign operating corporation, not an exact amount of payroll and property. Effective the day following final enactment.
- 3 Credit for increasing research activities. Clarifies that the research credit applies against the regular corporate franchise tax and not the alternative minimum tax. Effective beginning in tax year 2008.
- 4 Annual accounting period. Corrects a reference relating to the general combined reporting requirement for unitary groups.

- 5 Dividends received. Corrects a reference relating to the general combined reporting requirement for unitary groups.
- 6 Application of back-up withholding on nonwage compensation for personal services. Requires withholding of Minnesota income taxes on payments to individual independent contractors if the payments are subject to federal back-up withholding. Under present law, Minnesota back-up withholding is required only if the contractor does not give the payor a Social Security number, or if the Department of Revenue notifies the payor that the number is not the contractor's correct number. This change would instead require Minnesota withholding if federal withholding is required. Effective for payments made after December 31, 2008 .
- 7 Contractor withholding, bulk filers. Eliminates bulk filers from the requirement, enacted in chapter 154 of Laws 2008, to withhold tax from payments to certain construction contractors. To the extent bulk filers are acting as agents of payors who are subject to this withholding requirement, they would be required to withhold on that basis.
- 8 Repealer; obsolete and redundant rules. Repeals
- Minnesota Rule, part 8031.0100, subpart 3, which largely addresses how a partner uses the gross income of the partnership in its Minnesota income tax computations, with respect to two, long since repealed Minnesota concepts: "income averaging" and farm loss modification. The remainder of the rule restates filing requirements and definitions that also appear in statute.
 - Minnesota Rule, part 8093.2100, which addresses corporate declarations of estimated tax which are no longer required under current Minnesota law.

Article 13: DOR Sales and Use Tax

Overview

Modifies the sales tax law to hold sellers, buyers, and certified service providers harmless if the Department of Revenue databases, that are required under the Streamlined Sales Tax Agreement, contain errors. The same is true for any automated tax calculation systems certified by the Department. This is required under SSTA.

- 1 Relief for purchasers. Provides that if a purchaser meets the requirements in section 0, that they are relieved from interest on tax if they relied on erroneous data provided by the Department of Revenue regarding tax rates, boundaries, taxing jurisdiction assignments and the taxability matrix. Effective for sales and purchases made after December 31, 2008 . [Streamlined Sales Tax]
- 2 Relief for purchasers. Provides that if a purchaser meets the requirements in section 0, that they are relieved from a penalty if they relied on erroneous data provided by the Department of Revenue regarding tax rates, boundaries, taxing jurisdiction assignments and the taxability matrix. Effective for sales and purchases made after December 31, 2008 . [Streamlined Sales Tax]
- 3 Definition of state. Amends the definition of "state" used for sales tax purposes, to include the Commonwealth of Puerto Rico . Currently, the term only includes the 50 states and the District of Columbia . Effective the day following final enactment. [Streamlined Sales Tax]
- 4 Presumption of tax; burden of proof. Relieves a certified service provider of liability to the extent a seller who is its client is relieved of liability. This section mainly applies to accepting exemption certificates. Effective retroactively for sales and purchases made after December 31, 2007 . [Streamlined Sales Tax]
- 5 Durable medical equipment repair and replacement parts. Provides that the exemption for durable medical equipment repair and replacement parts includes all components or attachments used in conjunction with the equipment but does not apply to repair and replacement parts for single patient use only, except for kidney dialysis equipment that is multi-use equipment for a single patient. Also clarifies that the exemption for medical devices applies only to devices for human use. Effective the day following final enactment. [Streamlined Sales Tax]
- 6 Relief from certain liability. Relieves sellers and certified service providers from liability to the state for having charged and collected the incorrect amount of sales or use tax if they used a certified automated system

that the state had certified as accurate as to the taxability of product categories. Gives sellers and certified service providers ten days to revise a classification after receipt of notice from the state that an item or transaction within a product category is incorrectly classified as to its taxability. Effective retroactively for sales and purchases made after December 31, 2007 . [Streamlined Sales Tax]

7 Relief for purchasers. Provides a purchaser relief from the additional liability for tax, penalty and interest when the purchaser or the seller relied on erroneous data provided by the Department of Revenue regarding tax rates, boundaries, taxing jurisdiction assignments and the taxability matrix. Effective for sales and purchases made after December 31, 2008 . [Streamlined Sales Tax]

8 Database files. Defines the database files and taxability matrix referred to in section 297A.995 as those required under the Streamlined Sales Tax. Effective retroactively for sales and purchases made after December 31, 2007 .

Article 14: DOR Special Taxes and Fees

Overview

This article imposes personal liability for collection and payment of the health impact fee, as is provided for the cigarette and tobacco tax. It clarifies definitions used in the MinnesotaCare tax and makes technical corrections in tax chapter references to electronic waste recycling. It provides that ethanol and biodiesel are exempt from taxation when being transferred between terminals. It classifies cigarettes that do not meet recently enacted fire retardant standards as contraband.

1 Electronic waste recycling. Clarifies references to “commissioner” to be either to the commissioner of revenue or the commissioner of the Pollution Control Agency. Specifies dates by which certain statutorily required actions must occur, and authorizes the commissioner of revenue to grant credits against fees in lieu of paying refunds. Effective the day following final enactment.

2 Personal liability for health impact fee. Provide personal liability for collection and payment of the health impact fee. This is the same treatment provided statutorily for various taxes, including cigarette and tobacco taxes. Effective for fees due after June 30, 2008 .

3 Health care provider definition; wholesale drug distributor. Clarifies that wholesale drug distributors are excluded from the definition of a health care provider for purposes of imposing the health care provider tax. Under current law wholesale drug distributors, like hospitals and surgical centers, are subject to a separate MinnesotaCare tax. Effective the day following final enactment.

Also excludes from tax and any filing requirement health care providers who either

- receive all their payments from other entities that are subject to tax on their receipts for patient services, and
- receive all their payments from other exempt sources.

Under current law these entities have no taxable receipts, but are required to file returns. Effective for payments received after June 30, 2008 .

4 Use tax. Provides that a person who manufactures drugs is subject to use tax on the cost of manufacturing the drugs. Effective for drugs purchased after June 30, 2008 .

5 Exemption from gasoline tax; ethanol transfers. Clarifies that ethanol is exempt from gasoline tax when it is transferred between terminals. Effective the day following final enactment.

6 Exemption from special fuel tax; biodiesel transfers. Clarifies that biodiesel fuel is exempt from special fuels tax when it is transferred between terminals. Effective the day following final enactment.

7 Contraband cigarettes. Provides that cigarettes that do not meet recently enacted fire retardant standards and packaging requirements are contraband. Effective December 1, 2008 .

8 Health care service plan corporations. Strikes a conflicting reference to the insurance premiums tax to be

imposed on nonprofit health care service plan corporations. Effective the day following final enactment.

Article 15: DOR Property Taxes and Aids

Overview

This article makes changes recommended by the Department of Revenue. It makes technical corrections to statutes relating to property tax abatements and credits allowed for property damaged due to disasters, arson, or vandalism. It also updates references to the old class 4d low-income rental housing classification in existence for taxes payable in 1999 to 2004 to the new class 4d low-income rental housing classification in effect for taxes payable in 2006 and thereafter. It changes the date for classifying manufactured homes as taxable or exempt, and provides that income data collected in determining eligibility for the senior deferral program is private. It makes a number of technical changes and clarifications to the valuation exclusion for disabled veterans.

- 1 Obsolete references income data. Updates a chapter 13 Data Practices reference providing that income data collected to determine eligibility for class 4d low-income rental housing is private data. The current law reference is to the old class 4d in existence for payable 1999 through 2004; this change instead references the new class 4d enacted in 2005 for taxes payable in 2006 and thereafter. Effective for data collected or maintained by political subdivisions beginning the day following final enactment.
- 2 Obsolete references income data. Updates a chapter 13 Data Practices reference providing that income data collected to determine eligibility for class 4d low-income rental housing is private data. Effective for data collected or maintained by political subdivisions beginning the day following final enactment.
- 3 Exemption status determination date; personal property. Provides that manufactured homes, park trailers, travel trailers and related improvements, subject to the personal property tax must be classified as taxable or exempt by January 2 of the assessment year, rather than July 1, because personal property taxes on these properties must be computed by May 30. Effective the day following final enactment.
- 4 Abatements and credits for damaged properties; reassessed market value reporting. Strikes language requiring the county assessor or commissioner to report reassessed values to the county auditor as soon as practical; the same reporting requirement is moved to the reassessment requirement provision amended in section 0. Effective the day following final enactment.
- 5 Abatements and credits for damaged properties; definition of utility property. Defines utility property that the commissioner of revenue appraises for property tax purposes. This definition is referenced in sections 0and 0, relating to abatements and credits for damage due to disaster, arson, or vandalism. Effective the day following final enactment.
- 6 Abatements and credits for damaged properties; reassessments. Requires the commissioner of revenue, rather than the county assessor or commissioner, to reassess damaged property in a disaster or emergency area if the property owner has applied for an abatement or property tax credit. When property is reassessed, requires either the assessor or the commissioner to report the reassessed value to the county auditor as soon as practical. Effective the day following final enactment.
- 7 Abatements and credits for damaged properties; abatements. Replaces a reference to “property that the commissioner is required to appraise” with “utility property,” defined in section 0as property the commissioner is required to appraise. Effective the day following final enactment.
- 8 Abatements and credits for damaged properties; levy authority. Authorizes local units of government to levy to recover their unreimbursed costs for property tax credits granted to damaged or destroyed property in the previous year. Effective the day following final enactment.
- 9 Abatements and credits for damaged properties; reimbursement to taxing jurisdictions. Strikes a prohibition on reimbursement to the state treasury, and clarifies a reference to homestead property. Effective the day following final enactment.
- 10 Abatements and credits for damaged properties; credit applications. Clarifies that application for credits for damaged properties must be submitted by the end of the year in which the damage occurred. Effective the day

following final enactment.

- 11 Abatements and credits for damaged properties; credit reimbursements. Strikes a prohibition on
reimbursement to the state treasury. Effective the day following final enactment.
- 12 Homestead applications. Provides that a federal Schedule F submitted to support a claim for an agricultural
homestead classification is protected private data. Effective the day following final enactment.
- 13 Homesteads for trust held property. Allows homestead treatment for property held by a trust that is rented to
an authorized farming entity and actively farmed by a member of that entity. Effective the day following final
enactment.
- 14 Class 1b. Makes the class 1b benefit available to a disabled person and their spouse (including disabled
veterans), instead of just the disabled person (as is now the case with blind people). Provides that a homestead
occupied by a permanently disabled veteran that receives the valuation exclusion does not qualify for class 1b
treatment on any remaining taxable value. Also clarifies that the spouse of a disabled veteran who claimed
homestead benefits under class 1b prior to enactment of the valuation exclusion for disabled veterans retains
class 1b treatment after the disabled veteran dies.

This provision is effective for taxes payable in 2009 and thereafter.

- 15 Eligibility for disabled veteran classification. Provides that a homestead must be owned by a disabled veteran
or a disabled veteran and her/his spouse in order to qualify for the disabled veteran's valuation exclusion.
Provides that a surviving spouse of a disabled veteran who qualified for valuation exclusion will receive the
benefit of the valuation exclusion for one additional year after the disabled veteran dies (or until such time as
the spouse sells, transfers, or otherwise disposes of the property, whichever comes first). Provides that a
homestead occupied by a permanently disabled veteran that is entitled to the valuation exclusion does not
qualify for class 1b treatment on any remaining taxable value. Extends the application date for applying for
the benefits for the 2008 assessment to September 1, 2008. Effective for taxes payable in 2009 and thereafter.
- 16 Local board of assessor duties. Adds a new paragraph clarifying that a local board that has transferred its
duties to the county may continue to employ a local assessor and is not deemed to have transferred its powers
to make assessments. Effective the day following final enactment.
- 17 Abatements and credits for damaged properties. Updates cross-references.
- 18 Data classification. Provides that income data on individuals collected and maintained by the commissioner
of revenue to determine eligibility for the senior citizen property tax deferral program is private data.
Effective for data either collected or maintained by the commissioner of revenue beginning the day following
final enactment.
- 19 Obsolete references; housing and redevelopment authority. Updates a housing and redevelopment authority
statute reference to the old class 4d low-income rental housing statute in existence for taxes payable 1999
through 2004 to reference the new class 4d enacted in 2005 for taxes payable in 2006 and thereafter. Effective
retroactively for taxes payable in 2006 and thereafter.
- 20 Abatements and credits for damaged properties; definition of qualified disaster area. Updates a cross-
reference to areas subject to a disaster or emergency. Effective the day following final enactment.
- 21 Abatements and credits for damaged properties; definition of disaster area. Updates a cross-reference to areas
subject to a disaster or emergency. Effective the day following final enactment.

Article 16: DOR Miscellaneous

Overview

This article adds debts owed to local government units and to state supported postsecondary schools to the list of debts eligible for referral to the commissioner for collection. Adds a prohibition on collection during the appeal period that was inadvertently omitted in the chapter 270C recodification. It also adds a notification requirement when the commissioner opts to use revenue recapture under chapter 270A for debts referred for collection under chapter 16D. Debtors would have earlier received notice of submission of the debt for collection, but not of use of revenue recapture.

- 1 Referral of debts to the commissioner for collection; definition of debt. Extends the definition of debts that are eligible for referral to the commissioner of revenue for collection to include debts owed to local government units, and state supported postsecondary schools other than the University of Minnesota (debts owed to the University are included in the definition under present law). This section applies to the collection services provided by the Department of Revenue under chapter 16D, and not to the revenue recapture program under chapter 270A. Effective day following final enactment.
- 2 Referral of debts to the commissioner for collection; definition of referring agency. Extends the definition of agencies that may refer debts to the commissioner of revenue for collection to include local government units, cities, counties, and state supported postsecondary schools, including the University of Minnesota (while debts to the University are included in the definition of debt under current law, the University is not included in the definition of referring agencies). This section applies to the collection services provided by the Department of Revenue under chapter 16D, and not to the revenue recapture program under chapter 270A. Effective day following final enactment.
- 3 Determinations of uncollectibility for debts referred to the commissioner for collection. Authorizes the commissioner to determine if a debt referred to the commissioner for collection under chapter 16D is uncollectible. Effective for debts referred after December 31, 2008 .
- 4 Debtor notification; revenue recapture and debts referred to the commissioner for collection. Clarifies that notice to debtors by claimant agencies for debts to be submitted to the Department of Revenue for collection under the revenue recapture program in chapter 270A must be sent to the debtor's "last known" address. Current law requires the notice to be sent to the "current address."

Also provides that when debts are submitted to the commissioner for collection under chapter 16D, the commissioner must send notice by regular mail to the debtor's last known address before implementing revenue recapture under chapter 270A to collect the debts. Effective for debts referred after December 31, 2008 .

- 5 Prohibition against collection during the appeal period of an order. Clarifies that the prohibition against collection during the presumed debtor's appeal period applies not only to orders of assessment, as is currently provided, but to all orders where a liability is being imposed (such as personal liability assessments against responsible parties). This language was omitted in the recodification of chapter 270C in 2005. Effective the day following final enactment.

Article 17: Miscellaneous

Overview

This article:

- Establishes a stamping requirement for insurance policies written by surplus line companies (i.e., those not licensed in Minnesota) to increase tax compliance.
- Provides two new credits intended to increase use of section 125 health insurance plans, to be administered by the commissioner of commerce.
- Directs the Department to update the property-income database (the “Voss” database).
- Makes various appropriations related to duties under the bill.

1 Surplus lines insurance; definition. Defines “stamping” for surplus lines insurance policies.

2 Effective date: Policies written or renewed on or after the day following final enactment
Surplus Lines Association of Minnesota . Provides for the creation of a nonprofit association known as the Surplus Lines Association of Minnesota.

Subd. 1. Association created; duties. Creates the Surplus Lines Association of Minnesota and provides for its basic operation and for it to:

- ▶ stamp surplus lines insurance documents required to be filed with the association;
- ▶ report monthly to the commissioners of revenue and commerce; and
- ▶ educate members and agents about surplus lines laws and appropriate use of the surplus lines market.

Subd. 2. Board of directors. Provides for an interim board appointed by the commissioner to implement a stamping office and prepare a plan of operation, and a succeeding regular board consisting of one director appointed by the commissioner of commerce, one appointed by the commissioner of revenue, and five elected from among the members of the association.

Subd. 3. Plan of operation. Specifies the components of the plan of operation to be prepared by the interim board, with the plan subject to approval by the commissioner of commerce. Requires the plan to include an annual independent audit of the association.

Subd. 4. Reporting. Requires annual reporting to the commissioner of commerce, to include a current list of membership in the association.

Subd. 5. Examination. Authorizes the commissioner of commerce to examine the association at any time, and requires a report of the examination to the association.

Subd. 6. Immunity. Provides for no liability against the association for actions taken or omitted in the performance of their duties in the absence of gross negligence or willful conduct.

Subd. 7. Stamping fee. Authorizes a stamping fee to be assessed by the association and remitted electronically by members.

Subd. 8. Data privacy. Provides that data obtained from the association is public with the exception of data identifying surplus lines policy-holders.

3 Effective date: Policies written or renewed on or after the day following final enactment
Surplus lines; duty to submit documents. Requires surplus lines insurers to submit each policy or contract issued to the association for recording and stamping. Imposes penalties for policies or contracts not stamped by the association.

4 Effective date: Policies written or renewed after December 31, 2008
Health insurance credit; section 125. Provides for two special health insurance credits for businesses and their employees to be administered by the commissioner of commerce. These credits are intended to encourage more employers to offer section 125 health insurance plans for their employees and to encourage employers already offering the plans to provide special incentives for nonparticipating employees to enroll in their plans.

Establishment credit. Allows a credit for employers who do not now provide health insurance to their employees to receive a \$350 credit (or the amount of their costs in setting up the plan, if less) to defray the cost of setting up the section 125 plan. This credit is very similar to the parameters of the grant program in S.F. 3780, the health reform legislation. (The only material difference is that the business must have tax liability – individual income, corporate, property or insurance premium tax – equal to the credit to qualify.) The commissioner of commerce could chose to fund this credit, rather than the grant, by transferring money in the grant appropriation to the credit. If commissioner chooses not to do that, the credit is not effective. The grant appropriation is \$1 million.

Participation credit . Allows businesses already offering section 125 plans to their employees to qualify for a tax credit to encourage non-participating, lower wage employees to participate – e.g., by providing an employer contribution or a higher employer contribution to induce nonparticipating employees to enroll. Lower wage employees are defined as those who qualify for the MinnesotaCare program. This credit is equal to the lesser of 50 percent of the amount the business spends to encourage participation or (2) \$200 per employee. The credit cost is capped at \$750,000/year. To keep total credits within this limit, businesses must apply for credit certifications in advance of claiming the credit.

Transfer authority . The commissioner of commerce is given authority to transfer money between the two credits, based on the amount of applications or other factors. Use of this authority would require the commissioner to activate the establishment credit program.

Appropriation . A standing general fund appropriation of \$750,000 is provided to the commissioner of commerce to pay the participation credit. (The establishment credit would depend upon the commissioner transferring money from the grant appropriation.)

5 Minneapolis park dedication fee. Authorizes Minneapolis to extend its park dedication fee to new commercial and industrial development in the city.

Effective date : Local approval

6 Property-income data update. Requires the Commissioner of Revenue to update linked property and income data furnished to the Tax Study Commission in the late 1980s (the “Voss” database).

7 Appropriations. Makes the following appropriations from the general fund for fiscal year 2009 (all appropriations are onetime, unless noted):

- ▶ \$100,000 to Revenue to assist local assessors in valuing special-use industrial properties. This is an ongoing appropriation.
- ▶ \$15,000 to Revenue to conduct a survey and review the property tax exemption for property of

nonprofit organizations as purely public charities.

- ▶ \$200,000 to Revenue for preparation of the database linking income and property value.
- ▶ \$60,000 to Administration for fiscal year 2009 to prepare township acreage data; \$50,000 of this is one-time and \$10,000 is ongoing.