

Article 1: County Revenue Reform

Overview

This article provides an option for counties to impose a ½-cent sales tax. Provides that if a county imposes a tax, other local sales taxes within the county are preempted and the county must fund the obligations related to those preempted taxes. Provides for a reduction in the county program aid in Pay 2010 and makes adjustments to that reduction if a county imposes a local sales tax, based on the sales tax revenue raised.

Repeals levy limits for cities but leaves them in place for Pay 2010 only for counties. Adjusts Pay 2010 levy limits for counties imposing a local sales tax so that aid reductions are replaced with the new sales tax revenue rather than with a property tax increase.

- 1 Local government unit.** Removes cities with a population of 2,500 or more from the application of levy limits.
- 2 Levy limit base.** Repeals the levy limits for taxes levied in 2010, payable in 2011 for counties.
- 3 Adjusted levy limit base.** Repeals the levy limits for taxes levied in 2010, payable in 2011 for counties.
- 4 Property tax levy limit.** Adjusts the county levy limits so that a county that imposes a local sales tax cannot “levy back” the county program aid reductions since the new sales tax revenue offsets the cuts.
- 5 Authorization, scope.** Provides a cross-reference to the new county sales tax authority in the general local sales tax statutes.
- 6 County local option sales tax.** Allows a county to impose a local sales tax of ½ of one percent, subject to a reverse referendum, with the money to go to the county’s general fund.

Subd. 1. Authorization; rates. Allows a county to impose a local sales tax of ½ of one percent on all sales taxable under chapters 297A (general) and 297B (motor vehicle sales).

Subd. 2. Application of election requirement. The county is required to post a notice and hold a hearing on the intent to impose the tax. Voters have up to 30 days after the public hearing to petition for a reverse referendum on the issue. Signatures equal to the greater of (1) 500 or (2) ten percent of the votes cast at the last general election are needed to trigger the referendum. The referendum may be held at a general or special election and must pass before the tax would be imposed.

Subd. 3. Use of revenues. The county must first use revenues to meet obligations for preempted local sales taxes under section 4, with the remainder deposited into the county general fund.

Subd. 4. Administration, collection, and enforcement. A tax imposed under this section is administered, collected, and enforced according to most of the general local sales tax statute.

Subd. 5. Termination. States that a county can only terminate a tax imposed under this section if all obligations for preempted local taxes have been met.

7 Effect on existing local sales taxes; satisfaction of preexisting obligations. Preempts most local sales taxes in a county imposing a sales tax under section 6 and requires the county to use its new sales tax revenue to meet obligations related to the preempted sales taxes.

Subd. 1. Preemption of preexisting local sales taxes. States that if a county imposes a local sales tax under section 6, that all other local sales taxes imposed in the county are preempted except for (1) a county transportation tax, or (2) a local sales tax imposed by a city of the first class (Minneapolis, St. Paul, and Duluth).

Subd. 2. County payment to cities; foregone revenue. Requires a county imposing a local sales tax to pay a portion of that revenue to a county to fund obligations previously funded by any preempted city sales tax. The payments will be made within 5 business days of the state making quarterly payments to the county. The payments to cities are calculated under subdivisions 4 or 5.

Subd. 3. Dedication of tax to fund county projects. Requires a county to meet any obligations for a preempted county tax out of the revenues from the new sales tax. This only applies to the Hennepin County tax of 0.15% to fund the Twins stadium.

Subd. 4. Calculation of foregone revenue in cities located entirely within a county. Provides the mechanism to calculate the county payments to a city with a preempted sales tax. The payment in the first year are based on the collections from the previous year in the city, adjusted for the percent change in current state sales tax revenue collections over the previous year. In subsequent years the quarterly payments will be based on the quarterly payment in the previous year, adjusted for the percent change in the county sales tax revenue in the current quarter, compared to the same quarter in the previous year.

Subd. 5. Calculation of foregone revenues in cities partially located within a county. Provides the mechanism to calculate the county payments to a city with a preempted sales tax that is split between more than one county. There are two “split” cities with city sales taxes – Mankato and St. Cloud. The split of city existing sales tax revenue between the different county portions of the city shall be determined in a reasonable manner by the commissioner of revenue in consultation with the county and city, however, if no other option is agreed to the split will be made based on the share of the city’s nonutility commercial and industrial property in each part of the city. A county’s revenue payment to the city is then based on the same mechanism as in subdivision 4, but multiplied by the county share.

Subd. 6. Establishment of special sales tax districts within certain cities. Provides for the case where a county tax is imposed in one part of a “split” city but not in another. A special taxing district is then established in the part of the city outside of a county imposing a sales tax. The special taxing district will impose the sales tax in the remaining portion of the city and used to pay for the obligations under the preempted city sales tax. This is necessary because the Streamlined Sales and

Use tax Agreement (SSUTA) prohibits a city from imposing different rates in different parts of the city.

- 8 County program aid.** Freezes county program aid distribution at the Pay 2009 certified distribution and then reduces each county's aid in Pay 2010 and thereafter by one of the following amounts:
- If a county does not impose a local sales tax its aid is reduced by an amount equal to 3.58 percent of its 2009 levy plus aid amount.
 - If a county does impose a local sales tax its aid is reduced by an amount equal to 50% of its net sales tax revenue between \$7 and \$17 per capita and 75% of its net sales tax revenue in excess of \$17 dollars per capita. The county program aid is not reduced for the first \$7 per capita of net sales tax revenue. "Net sale tax revenue" is the revenue raised by a sales tax under section 4 minus the revenues used to fund obligations under section 5.
- 9 Counties (appropriation).** Eliminates the cap on the county program aid appropriation beginning in Pay 2010, since this amount is determined under section 6. Provides for continued payment of money for public defenders and local impact notes currently paid from the county program aid appropriation.
- 10 Repealer.** Paragraph (a) repeals the formulas for the different portions of county program aid. Paragraph (b) repeals the existing authorization for Cook County to impose a local sales tax of one percent to fund a number of recreational projects. The county has not yet imposed this tax.

Article 2: Property Tax Reform, Accountability, Value and Efficiency Provisions

Overview

This article contains the working group recommendations.

- Sections 1 and 2 are from H.F. 1201, which embodies the work of the Local Government Performance Measurement and Improvement Program Work Group. Section 1 creates the Council on Local Results and Innovation which establishes a standard set of performance measures, and minimum standards for comprehensive performance measurement systems, for counties and cities that want to use them. The council is also to serve as a statewide resource for the development, promotion, and implementation of local government performance measurement systems.
- Section 2 provides that counties and cities that choose to participate in the reporting of standard measures are eligible for cost reimbursement payments from the state. Counties and cities that choose to implement comprehensive performance measurement systems that meet the minimum standards established by the council are exempt from levy limits (if in effect) and from truth-in-taxation hearing requirements (if in effect).
- Sections 3,4, and 6 result from the Working Group on Local Government Mandate Relief, whose recommendations were incorporated into H.F. 1195. These sections include the maintenance of effort provisions. The truth-in- taxation provisions of H.F. 1195 are contained in article 4. The provisions of articles 2 to 4 of H.F. 1195 relating to local government flexibility are contained in article 3 of this bill.
- Sections 5 and 7 are from H.F. 1261, which embodies the work of the Working Group on State Property Tax Benchmarks, Critical Indicators and Principals for Legislators to Use when Evaluating Property Tax Proposals. Section 5 establishes a property tax working group and requires the house and senate tax committees to prepare a resolution on targets and benchmarks for use during the biennium.

1 Council on local results and innovation.

Subd. 1. Creation. Creates the council with 11 members, including the state auditor, eight persons who are not legislators appointed by the chair and minority leads of the house and senate committees with jurisdiction over property taxes, and one person each appointed by the Association of Minnesota Counties and the League of Minnesota Cities. Specifies four year, staggered terms, desired knowledge, and experience of appointees. Provides that after the initial appointments, the eight appointments by legislators must be made by the council.

Subd. 2. Duties. (a) By February 15, 2010, requires the council to develop approximately ten standard performance measures for counties and ten for cities aimed at measuring the efficiency and effectiveness of counties and cities in providing services.

(b) By February 15, 2011, requires the council to develop minimum standards for comprehensive performance measurement systems, which may vary by size and type of jurisdiction.

(c) Requires the council to serve as a statewide resource to aid in the development, promotion, and implementation of local government performance measurement systems.

Subd. 3. Reports. Requires the council to report its initial set of county and city standard performance measures to the property tax committees of the house and senate by February 28, 2010. Requires an annual report by February 1 in subsequent years. Permits the state auditor to make the reports instead of the council if agreed by both the state auditor and the council.

Subd. 4. Operation of council. Directs the state auditor to convene the first council meeting; provides for the chair to be elected by and from among the council members for two-year terms; provides that council members serve without compensation; provides that council members are to rotate and share administrative support responsibilities; exempts the council from the open meeting law but requires it to conduct open meetings; and requires meeting notices to be published on the state auditor's web site.

Subd. 5. Termination. Provides that the council expires January 1, 2019.

Effective upon enactment.

2 **Local performance measurement and reporting.**

Subd. 1. Reports of local performance measures. Requires a county or city that participates in the standard measures program to report results to its citizens annually and to file a report with the state auditor by July 1.

Describes two levels of participation. A city or county participating in the standard measures program must report on results for the standard set of performance measures. In 2011, a city or county participating in the comprehensive performance measurement program must submit a resolution indicating it either has implemented or is in the process of implementing a local performance measurement system meeting the minimum standards. In 2012 and thereafter, comprehensive performance measurement system participants must affirm that they have implemented a local performance measurement system meeting the minimum standards.

Subd. 2. Benefits of participation. (a) A participant in 2010 may receive a per capita reimbursement of 25 cents, up to \$25,000, and is exempt from levy limits and truth in taxation hearing requirements for taxes payable in 2011.

(b) A participant in the standard measures program in 2011 may receive a per capita reimbursement of 25 cents, up to \$25,000. A participant in the comprehensive performance measurement program in 2011 is exempt from levy limits and truth in taxation hearing requirements for taxes payable in 2012.

(c) A participant in the standard measures program in 2012 or any year thereafter may receive a per capita reimbursement of 25 cents, up to \$25,000. A participant in the comprehensive performance measurement program in 2012 or any year thereafter is exempt from levy limits and truth in taxation hearing requirements for taxes payable in the following year.

Subd. 3. Certification of participation. Directs the state auditor to certify participation to the commissioner of revenue. Provides for the commissioner of revenue to make the per capita reimbursements and notify each city and county that is exempt from levy limits.

Subd. 4. Appropriation. Establishes a standing appropriation from the general fund for payments made under this section.

Effective December 31, 2009.

- 3 Local support levels.** Paragraph (a) modifies the existing formula for calculating the minimum library maintenance of effort (MOE) to be based on the average of adjusted net tax capacity (ANTC) for the second, third and fourth preceding years. Currently this is based on the ANTC from the second preceding year. Effective beginning with calendar year 2011.

Paragraph (b) requires that counties and cities notify the regional library system, which will notify the Department of Education, if they want to reduce their MOE for aid cuts under section 4.

- 4 Regional libraries, maintenance of effort (MOE).** This section makes three changes.

(a) Changes the minimum MOE for each county and city to be its lowest library spending in the second or third preceding year. Under current law, a county or city has to spend at least the amount it spent two years ago which means that if a city or county increases its library spending it must maintain that higher levy of spending every other year in perpetuity.

(b) and (c) Allow a city or county to reduce its library MOE if general purpose county or city state aids and credits are cut. The allowed reduction is the lesser of (a) 10 percent of its current MOE, or (2) a percent equal to percent of its aid and credit cut to its levy plus general purpose aids. The percent in clause (2) is based on the certified aid and levy amounts for the current year for cuts that occur after the current year's levies have been set, and on the paid amount of levy plus aids in the previous year for proposed future cuts. Requires that the Pay 2009 reductions be based on both 2008 unallotments and 2009 aid and credit cuts. The commissioner of revenue is required to calculate the MOE reductions for calendar year 2009 and in future years must certify the percentage used in calculating reductions under paragraph (c) to the commissioner of education by August 1 of the year prior to the year in which the reduced aids are paid.

(d) States that regardless of the allowed cuts in paragraphs (a) to (c), no city or county MOE can go below the minimum required effort currently in law. Also states that if a county imposes a local option tax under the provisions of article 1, they may not reduce their MOE under paragraphs (b) or (c).

Effective for support in calendar year 2009 and thereafter for library grants paid in fiscal year 2010 and thereafter, except that changes in paragraph (a) are effective for support in calendar year 2010 and thereafter.

- 5 Property tax system benchmarks and critical indicators.**

Subd. 1. Purpose. States that state policy makers should be provided with the tools to create a more accountable and efficient property tax system. This section

contains the principals and the available tools necessary to work toward achieving that goal.

Subd. 2. Property tax principles. Contains the basic property tax principals that should be taken into consideration in evaluating the various property tax proposals that come before the legislature. The principals are:

1. Transparent and understandable;
2. Simple and efficient;
3. Equitable;
4. Stable and predictable;
5. Compliance and accountability;
6. Competitive, both nationally and globally; and
7. Responsive to economic conditions.

Subd. 3. Major indicators. Provides that there are many different types of indicators available to legislators to evaluate tax legislation, each has its own limitations. Contains the following list of the available major indicators:

1. Property tax principles scale (components are listed in subdivision 2) relate to the property tax system features;
2. Price of government report;
3. Tax incidence report;
4. Tax expenditure budget and report;
5. State tax rankings;
6. Property tax levy plus aid data, and market value and net tax capacity data by taxing district;
7. Effective tax rate and equalized effective tax rate;
8. Assessment sales ratio study;
9. “Voss” data base, which matches homeowner property taxes and household income;
10. Revenue estimates and state fiscal notes; and
11. Local impact notes, with improved local analysis as described in subdivision 7.

Subd. 4. Property tax working group. Establishes a working group. The goals of the working group are: to investigate ways to simplify the property tax system, to reexamine the property tax calendar, and to determine the cost versus the benefits of

the various property tax components.

Provides for the working group to have 12 members appointed as follows:

- two house members, one from the majority caucus and one from the minority caucus, both appointed by the tax committee chair
- two senators, one from the majority caucus and one from the minority caucus, both appointed by the tax committee chair
- the commissioner of revenue or the commissioner's designee
- one person from each: appointed by the Association of Minnesota Counties, the League of Minnesota Cities, the Minnesota Association of Townships, the Minnesota Chamber of Commerce, and the Minnesota Association of Assessing Officers
- two homeowners, one under 65 and one over 65, appointed by the commissioner of revenue.

Provides for the commissioner of revenue to convene the first meeting and then for the working group to elect a chair. The working group meets at the call of the chair and members serve without compensation.

Requires the working group to make its advisory recommendations to the chairs of the house and senate tax committees on or before February 1, 2011, at which time the working group is finished (and this subdivision expires).

Subd. 5. Tax committee review and resolution. Requires that on or before March 1, 2011, and every two years thereafter, the house and senate tax committees must review the major indicators (as contained in subdivision 3) and ascertain the accountability and efficiency of the property tax system. Requires each committee to prepare a resolution on targets and benchmarks for use during the current biennium.

Subd. 6. Department of Revenue; revenue estimates. Requires that beginning with the 2010 legislative session, the revenue estimates prepared by the Department of Revenue must also identify how the property tax principles (contained in subdivision 2) apply to the proposed changes. Requires the commissioner to develop a scale for measuring the appropriate principles for each proposed change. If possible, requires the department to quantify the effects, or at a minimum identify the relevant factors so that legislators are aware of possible outcomes, including administrative difficulties and cost. The interaction of property tax shifting should be identified.

Subd. 7. Local impact notes. Seeks more participation from political subdivisions for the local impact note process. Creates a local impact network of political subdivisions consisting of at least one representative association from Minnesota counties, cities, towns, and school districts, and other members as needed. Requires them to work with the legislature and the commissioner of finance to analyze changes in local government tax revenues and expenditures and incidences of tax shifting. For tax bills, the local impact network shall rate the impact on the tax system using the tax principles contained in subdivision 2. Some of the cost for preparing these local impact notes shall be provided under section 2.

Effective the day following final enactment.

- 6 Temporary suspension of new or increased maintenance of effort and matching fund requirements.** Imposes a two year moratorium on the implementation of new or increased MOE or matching fund requirements. This should give the Legislative Commission on Mandate Reform, established in another article of the bill, time to study and make recommendations on any new proposals. To avoid causing a problem with the new federal stimulus bill that may require some increased spending, the counties and cities will remain responsible if the city or county is currently providing the federal MOE or match and the federal government increases those requirements. Effective the day after enactment.
- 7 Reimbursement.** Requires the commissioner of finance to distribute at least \$150,000 of the \$207,000 appropriation contained in current law to contract with the representative associations for counties, cities, towns, and school districts to establish a local impact network of political subdivisions for preparing local impact notes that provide information to the legislature. This is not a new appropriation, but is using a portion of the annual appropriation that the commissioner of revenue receives in current law and gives to the commissioner of finance (this is a deduction from county program aid). Effective for fiscal year 2010 and thereafter.

Article 3: Local Government Flexibility and Mandate Reduction Provisions

Overview

This article contains the local government flexibility provisions in articles 2-4 of H.F. 1195, which was the result of the working group on local government mandate relief of the property tax division of the committee on taxes.

- 1 Objections to rules.** Adds the Legislative Commission on Mandate Reform, established below, to the law that authorizes the Legislative Coordinating Commission or a house or senate committee with jurisdiction over administrative rules to file an objection to a rule with the secretary of state, which has the effect of placing the burden of proving the validity of the rule on the agency in any proceeding for judicial review or enforcement of the rule. Also permits the commission to petition for declaratory judgment as to the validity of a rule objected to and to intervene in litigation.
- 2 Public hearings by state agencies.** Adds the Legislative Commission on Mandate Reform, established below, to the law that authorizes the Legislative Coordinating Commission to request an agency to hold a public hearing on rules to which the commission objects.
- 3 Legislative Commission on Mandate Reform; established.**
- Subd. 1. Established.**
- Subd. 2. Membership.** Four senators appointed by the senate subcommittee on committees and three senators appointed by the senate minority leader; four house members appointed by the speaker and three appointed by the house minority leader.
- Subd. 3. Terms; vacancies.** Two-year terms. Vacancies must be filled so as to preserve the representation established in this section.

Subd. 4. Chair. Elected by and from among the members for two years. Must alternate between house and senate.

Subd. 5. Compensation. May be reimbursed for reasonable expenses as members of the legislature.

Subd. 6. Staff. Direct the Legislative Coordinating Commission to provide administrative support.

Subd. 7. Meetings; procedures; tie votes. Meetings at the call of the chair. Action requires votes in favor by at least four house members and four senators.

Subd. 8. Funding. Directs the commission to bill the commissioner of revenue for costs of administrative support and grants, up to \$100,000 per year. Provides for one half the costs to come from state aid to counties and one half to come from state aid to cities.

- 4 Legislative Commission on Mandate Reform; review and recommendations to legislature.** Directs the commission to solicit from local governments information on laws and rules that are problematic mandates and then to determine why each was enacted or adopted, if that reason still exists, costs to comply, and whether it can be repealed or modified. Requires the commission to submit a bill with mandate reform each session.
- 5 Legislative Commission on Mandate Reform; grants.** Provides for the commission to make recommendations to the commissioner of revenue to make grants to local government associations, the University of Minnesota, MnSCU, or other accredited postsecondary institutions to research and make recommendations on mandate reform.
- 6 Expiration.** The commission expires June 30, 2013.
- 7 Effective date for rules requiring local implementation.**

Subd. 1. Determination. Requires a state agency to determine if a local government (city county, town) will be required to adopt or amend a local regulation to comply with a proposed rule. Provides for the administrative law judge (ALJ) to approve or disapprove.

Subd. 2. Effective dates. Provides that a rule becomes effective the next July 1 or January 1, or a later date provided by the law or rule, after final adoption if it does require a new or amended local regulation.

Subd. 3. Exceptions. Provides that the effective dates in subdivision 2 do not apply when the good cause exemption, expedited rulemaking process, or process for repealing obsolete rules apply, or when any other law specifies that the rulemaking process in chapter 14 do not apply; if federal law requires an effective date before the dates in subdivision 2; or the governor waives application of subdivision 2.

Provides two set times a year for rules to take effect if they would require a local government to make a plan or ordinance change.

- 8 Best value contracting.** Strikes the limit on the number of contracts per year for all entities.

- 9 Abandonment; end of operation as cemetery.** Permits a county that has taken over an abandoned cemetery to prohibit further burials in the cemetery.
- 10 Compensation of (fence) viewers.** Strikes the \$60 cap on compensation for fence viewers and allows a town board to recover all costs. The language is based on the damages provision in the law governing establishment of cartways.
- 11 Public burial ground is town's after ten years.** Permits a town that has assumed ownership of a cemetery to prohibit further burials in it.
- 12 County offices; closing; effect.** Requires a county to keep its offices open for public business at least four days a week (instead of five).
- 13 Plans and specifications, advertisement for bids.** Updates the threshold amounts for contracts and day labor under the special assessment statute by providing a cross-reference to the Uniform Municipal Contracting Law (UMCL).
- 14 Contracts; day labor.** Same as section 13.
- 15 Letting of contracts; performance bonds (HRA).** Same as sections 14 and 15.
- 16 Fee.** Strikes the \$10 cap on booking fees and allows a county to recover actual costs of booking.
- 17 First meeting after effective date.** Requires a first meeting of the Legislative Commission on Mandate Reform, established in section 3, as soon as practicable after all appointments are made. Provides for the speaker of the house to designate a commission member to convene the first meeting.

Article 4: Truth in Taxation

Overview

This article eliminates the truth in taxation (TnT) public hearing and the newspaper notice effective for taxes payable in 2010 and thereafter.

It also advances the various dates necessary to allow the proposed truth in taxation notices to be prepared and mailed between October 15-24. (They are currently mailed between November 10-24.) Effective for taxes payable in 2011 and thereafter.

- 1 Budgets; form of notification (TnT).** Conforming change related to eliminating the truth in taxation hearing requirement. Effective for taxes payable in 2010 and thereafter.
- 2 Proposed levy.** Advances the dates for each taxing authority certifying their proposed levy to the county auditor. Effective for taxes payable in 2011 and thereafter.
- 3 Overlapping jurisdictions.** Advances the dates for certifying the proposed levy and the proposed tax rate to the other county auditors when taxing authorities lie in two or more counties. Effective for taxes payable in 2011 and thereafter.
- 4 Levy; shared, merged, consolidated services.** Advancing the dates for certifying

proposed levies when two or more taxing authorities are in the process of negotiating an agreement for sharing, merging, or consolidating services. Effective for taxes payable in 2011 and thereafter.

- 5 Notice of proposed property taxes.** Advances the date for mailing the proposed truth in taxation notices from November 10-24 to October 15-24. Many of the dates that are advanced in other sections of this article are to allow for the necessary information to be available to the county auditor so that the TnT notices can be mailed out earlier. Effective for taxes payable in 2011 and thereafter.

Also includes the requirement that since the truth in taxation hearings have been eliminated, the taxing authorities must provide the county auditor with information on when their regularly scheduled meetings (which occur after the notice has been mailed) at which the budget and levy will be discussed. Effective for taxes payable in 2010 and thereafter.

- 6 Adoption of budget and levy (TnT).** Strikes the language prescribing the TnT hearing. Effective for taxes payable in 2010 and thereafter.
- 7 Certification of levy.** Advances the dates for the taxing authorities to certify their final levy to the county auditor. Effective for taxes payable in 2011 and thereafter.
- 8 Report to commissioner.** Advances the dates for the county auditor to report to the commissioner of revenue the proposed levies of the various taxing authorities in the county. Effective for taxes payable in 2011 and thereafter.
- 9 Determination of county tax rate (TnT).** Conforming change related to eliminating the truth in taxation hearing requirement. Effective for taxes payable in 2010 and thereafter.
- 10 Duties (TnT).** Conforming change related to eliminating the truth in taxation hearing requirement. Effective for taxes payable in 2010 and thereafter.
- 11 Tax levy for repayment (TnT).** Conforming change related to eliminating the truth in taxation hearing requirement. Effective for taxes payable in 2010 and thereafter.
- 12 Application of other laws (TnT).** Conforming change related to eliminating the truth in taxation hearing requirement. Effective for taxes payable in 2010 and thereafter.
- 13 Budget (TnT).** Conforming change related to eliminating the truth in taxation hearing requirement. Effective for taxes payable in 2010 and thereafter.
- 14 Repealer.** Repeals the provisions related to the truth in taxation hearing and newspaper notice. Effective for taxes payable in 2010 and thereafter.

Article 5: Property Tax

Overview

- Clarifies eligibility for the property tax exemption for institutions of public charity.
- Makes a number of modifications in the senior deferral program, including increasing the income limit and reducing the interest rate.
- Authorizes counties to use certain proceeds from the tax-forfeited lands to offset aid cuts and unallotments.
- Prohibits any new properties from qualifying for relative homestead classification after July 1, 2009.
- Provides a temporary, partial, valuation exclusion for a home that was damaged in a natural disaster and is subsequently reconstructed.
- Allows the surviving spouse of a disabled veteran to continue to qualify for the disabled veterans valuation exclusion for five years after the death of the veteran.
- Requires the property tax statement to no longer state or imply that property tax credits are paid by the state.
- Provides for a study of the fiscal disparities program.

1 Institutions of public charity. (a) Provides that institutions of purely public charity that are exempt from federal income taxes under section 501(c)(3) are exempt from property tax if they meet the requirements of this subdivision. When determining whether the real property is exempt, the following factors must be considered, which are a general codification of the “North Star” factors:

1. Whether the stated purpose of the undertaking is to be helpful without immediate expectation of material reward;
2. Whether the institution of public charity is supported by material donations, gifts, or government grants for services to the public in whole or in part;
3. Whether a material number of the recipients of the charity receive benefits or services at reduced or no cost, or whether the organization provides services to the public that alleviate burdens or responsibilities that would otherwise borne by the government;
4. Whether the income received, including material gifts and donations, produces a profit to the institution that is distributed to private interests;
5. Whether the beneficiaries of the charity are restricted or unrestricted, and if restricted, whether the class of persons to whom the charity is made available is one having reasonable relationship to the charitable objectives; and
6. Whether dividends, in form or substance, or assets upon dissolution, are available to private interests.

For a property to be exempt under this subdivision, the charitable organization must satisfy the factors in clauses (1) to (6), unless there is a reasonable justification for missing the factors in (2), (3), or (5). If there is a reasonable justification for failing to meet the factors in clauses (2), (3), or (5), an organization is a public charity without

meeting those factors. An exemption properly granted under this subdivision will remain in effect unless there is a material change in the facts.

(b) Defines “grants” as a written instrument or electronic document defining a legal relationship between a granting agency and a grantee when its principal purpose is to transfer cash or something of value to the grantee to support a public purpose authorized in law in a general manner, instead of acquiring by professional or technical contract, purchase, lease, or barter property or services for the direct benefit or use of the granting agency.

This section is effective for taxes payable in 2010 and thereafter.

- 2 Purpose: Commissioner of Revenue Guidance.** States that the purpose of section 1 is not to contract or expand the definition of “institutions of purely public charity” but to provide clear standards that can be applied uniformly to determine eligibility for exemption from property taxation. Requires the commissioner of revenue to prepare a bulletin providing guidance to assessors as to the commissioner’s interpretation of section 1. Effective day following final enactment.
- 3 Nursing homes.** Provides a separate property tax exemption for a nonprofit nursing home or boarding care facility that is certified to participate in the medical assistance programs or that certify to the commissioner of revenue that it does not discharge residents due to their inability to pay. Effective for taxes payable in 2010 and thereafter.
- 4 Applicability.** Technical change relating to disaster-damaged homes provision in section 6.
- 5 Reassessments required.** Technical change relating to disaster-damaged homes provision in section 6.
- 6 Disaster-damaged homes; partial valuation exclusion.** (a) Provides for a valuation exclusion for a home that:
- sustained sufficient damage in a disaster to reduce its value by at least \$15,000,
 - was restored or rebuilt by the end of the year after the disaster,
 - has a gross living area after reconstruction that does not exceed 130 percent of its pre-disaster gross living area, and
 - has an estimated market value after reconstruction that exceeds its pre-disaster value by at least \$50,000.
- (b) Provides that the assessor shall compute the difference between the post-reconstruction value and the pre-disaster value.
- (c) Provides that three-quarters of the difference will be excluded in the first assessment year following reconstruction, one-half of the difference will be excluded in the second assessment year following reconstruction, and one-quarter of the difference will be excluded in the third assessment year following reconstruction.
- (d) Defines “gross living area” to include only above-grade living area.

Effective for assessment year 2009 and thereafter.

- 7 **General rule.** Prohibits any new properties from qualifying for relative homestead classification after July 1, 2009 (does not affect agricultural properties).
- 8 **Class 4.** Extends the 4c property classification to property that contains 20 or fewer rental units, is devoted to temporary residential occupancy, and is located in a city or township outside the seven-county metropolitan area that has a population of 2,500 or less. This property would have a class rate of 1 percent on the first \$500,000 of market value and 1.25 percent on the value in excess of \$500,000. The property would be subject to the seasonal-recreational state general tax rate of 18.214 percent (for taxes payable in 2009).
- Under current law, this property is classified as class 3a with class rates of 1.5 percent on the first \$150,000 of value and 2.0 percent on the value in excess of \$150,000, and is subject to the commercial-industrial state general tax rate of 45.535 percent (for taxes payable in 2009).
- Effective for assessment year 2009, taxes payable in 2010, and thereafter. For assessment year 2009, the January 15 application deadline is extended to July 1, 2009.
- 9 **Homestead of disabled veteran.** Extends the time period from one year to five years that the surviving spouse of a deceased disabled veteran can continue to qualify for the disabled veteran homestead market value exclusion, provided the spouse remains in the house and does not remarry. Effective for taxes payable in 2010 and thereafter.
- 10 **Contents of tax statements.** Stipulates that in prescribing the form of the property tax statement, the statement must not state or imply that property tax credits are paid by the state.
- 11 **Apportionment of proceeds to taxing districts.** Authorizes counties to use a portion of their proceeds from the sale or rental of tax-forfeited lands to replace all or a portion of their county program aid or market value credit reimbursement cuts or unallotments. Provides that if a county board decides to use some of these dollars, they must pass a resolution within six months of the actual aid or credit reimbursement loss. The amount of the transfer from a county's tax-forfeited fund to its general fund cannot exceed the aid or credit reimbursement loss.
- Effective the day following final enactment; expires January 1, 2012.
- Background: The proceeds from tax forfeited property are apportioned to the taxing districts by the county auditor for various purposes. Upon reviewing the state auditor's data for 2006 and 2007, 42 counties had a tax forfeited special revenue fund. The median amount for those 42 counties was \$55,757. Cass County had the highest balance with \$3.3 million. This section would allow counties to transfer monies from that fund if the county had experienced an aid or credit loss from the state up to the total amount of the aid or credit loss. Under current law this fund can only be used for "forest development on tax-forfeited land and dedicated memorial forests". This does not affect the proceeds to any of the other taxing jurisdictions, but rather it uses monies currently allocated to counties.*
- 12 **Senior citizen property tax deferral program; qualifications.** Makes two changes to the list of qualifications for the senior citizen property tax deferral program:
- Changes the age requirement so that at the time deferral is initially granted, only

one spouse must be at least 65 years old. Requires the other spouse to be at least 62 years old. Under present law both spouses must be at least 65 years old for a married couple to qualify for the deferral.

- Increases the maximum household income allowable for program participation from the \$60,000 under current law to \$75,000.

- 13 Senior deferral; Excess income certification by homeowner.** Increases the income level that triggers the requirement for the homeowner to notify the commissioner of “excess income” from \$60,000 to \$75,000. As under present law, homeowners are required to notify the commissioner when their household income for the previous year exceeds the maximum eligible for program participation; they are then suspended from program participation.
- 14 Senior deferral; Resumption of eligibility.** Changes the income level that triggers eligibility for a homeowner to resume program participation from income under \$60,000 to income under \$75,000. This applies to homeowners who became ineligible due to having income over the maximum being allowed to resume participation in the deferral program if their household income falls below the maximum in a subsequent year.
- 15 Senior deferral; Determination by commissioner.** Increases the maximum household income level at which program participation is allowed from \$60,000 to \$75,000.
- 16 Senior deferral; Interest on deferred amounts.** Reduces the maximum limit on interest charged on deferred property taxes from five percent to three percent, effective July 1, 2009. Under current law the interest rate is the same rate used by the Department of Revenue for income and sales tax refunds, except that in the deferral program the rate is limited to a maximum of five percent interest, calculated annually and added to the total amount deferred.
- 17 Sustainable forests; calculation of incentive payment.** Decreases the annual payment amount for the sustainable forest incentive program to a maximum of \$6 per acre, and caps the maximum annual payment per claimant to \$400,000. Effective for payments in 2010 and thereafter.
- Under current law, the annual payment per acre is based on a formula that uses the greater of \$7 per acre or a property tax amount calculated using average value and the previous year’s statewide average total township. For 2009, the formula resulted in \$8.61 per acre (because the portion of the formula using the value and the tax rate was higher than the \$7 per acre.) There is also no maximum cap on the annual payment amount per claimant under current law. The changes made in this section leave the formula for determining the payment, but decrease the amount per acre to \$6, require that the payment cannot exceed \$6 per acre, and limits the annual amount per claimant to \$400,000.
- 18 Extends date; Emergency medical service districts.** Extends the date for establishing emergency medical (EMS) services special taxing districts for three additional years. These EMS taxing districts primarily support volunteer ambulance providers and other emergency responders in rural Minnesota.

This type of special taxing district was established by the legislature in 2001. Since it was anticipated that it would take time for startup as a special taxing district, the first allowable

levy was granted for taxes payable in 2003, and a five-year sunset date was enacted to establish new districts. (Once a district is established, it can continue to levy even if the sunset expires.) That sunset was extended in the 2005 omnibus tax law and in the 2006 omnibus tax law. This section extends the date three more years to taxes payable in 2015. Only a few of these special taxing districts have been established.

- 19** **Effective date.** Clarifies that the change made to the metropolitan area plat law in the 2008 omnibus tax law requiring land to be brought to full value upon sale or transfer only affects land platted after the 2008 omnibus tax law was passed.
- 20** **Effective date.** Clarifies that the change made to the non-metropolitan area plat law in the 2008 omnibus tax law requiring land to be brought to full value upon sale or transfer only affects land platted after the 2008 omnibus tax law was passed.
- 21** **Fiscal disparities study.**

Subdivision 1. Study required. Requires the commissioner of revenue to conduct a study of the metropolitan fiscal disparities program and make a report to the house and senate tax committees by February 1, 2010. The study is to consider whether the fiscal disparities program is meeting the following goals and what changes could be made in furtherance of the goals:

- 1) Reducing the extent to which the property tax system encourages inefficient development patterns
- 2) Ensuring that the benefits of economic growth are shared throughout the region
- 3) Allowing taxing jurisdictions to deliver services in proportion to their tax effort
- 4) Compensating jurisdictions for low-tax-yield properties that provide regional benefits
- 5) Promoting a fair distribution of tax burdens across the region
- 6) Reducing economic losses from competition for commercial-industrial tax base.

Subd. 2. Appropriation. Appropriates \$50,000 to the commissioner of revenue in fiscal year 2010 to conduct the study required under subdivision 1.

Effective July 1, 2009.

Article 6: Aids and Credits

Overview

The bill modifies the formula for the market value homestead credit and uses the savings from this program to increase funding of the homeowner property tax refund program.

Eliminates the growth in the LGA and county program aid (CPA) appropriations in current law

Reduces city LGA and market value credits from pay 2009 certified levels as follows:

- by \$50 million in pay 2009,
- by \$68.2 million in pay 2010, and
- by \$10 million in pay 2011 and future years.

Reduces CPA from pay 2009 certified amount by \$15.7 million in pay 2009.

Reductions in future years are determined in article 1.

Reduces disparity reduction aid by approximately \$5 million per year.

Provides an extra \$225,000 of aid to the city of Coon Rapids in pay 2010 only.

Provides an extra \$100,000 per year in the city aid base for the city of Mayer for pay 2011 through pay 2015.

- 1 Residential homestead market value credit.** Reduces the maximum credit from \$304 to \$300. Increases the phase-out rate from \$9 per \$10,000 in value to \$10 per \$10,000 in value. These two changes have the effect of reducing the value above which homes no longer qualify for any credit from \$414,000 to \$375,000.
- 2 Payment.** Continues the Pay 2010 reductions in city residential market value homestead credits reimbursements under section 7 to reimbursements in Pay 2011 and 2012.
- 3 Additional adjustment (disparity reduction aid).** Reduces disparity reduction aid to certain areas by cutting off aid when a unique taxing area's tax rate is reduced to 113% of tax capacity. Under current law, the aid is cut off only when an area's tax rate has been reduced to 90% of tax capacity.
- 4 Homeowner property tax refund.** Expands the current law homeowner property tax refund program ("circuit breaker") by
 - ▶ providing a 10 percent larger maximum refund for all incomes
 - ▶ reducing the percentage of income threshold for homeowners with incomes from \$18,120 to \$67,909

The maximum refund for refunds based on taxes payable in 2010 will increase from \$2,340 under current law to \$2,570. (The maximums appearing in the statute are in 2001 dollars; the amounts that will be in effect for payable 2010 are the statutory amounts adjusted for inflation to 2010).

The income threshold percentage for homeowners with household income from \$18,120 to \$67,909 will decrease from the percentages in current law (ranging from 2.1 percent to 3.2 percent) toward 2 percent. The threshold will equal 2 percent for homeowners with household income from \$18,210 to \$24,149, and will increase for higher income brackets, reaching 3.0 percent for homeowners with household income from \$60,360 to \$67,909.

The table below shows the proposed thresholds compared to the current law thresholds.

Household income range	Current law threshold	Proposed threshold
\$18,120 to \$21,139	2.1%	2.0%
\$21,140 to \$22,639	2.2%	2.0%
\$22,640 to \$24,149	2.3%	2.0%
\$24,150 to \$25,659	2.4%	2.1%
\$25,660 to \$31,699	2.5%	2.2%
\$31,700 to \$36,219	2.6%	2.3%
\$36,220 to \$45,269	2.7%	2.5%
\$45,270 to \$52,809	2.8%	2.6%
\$52,810 to \$60,359	3.0%	2.8%
\$60,360 to \$67,909	3.2%	3.0%

Homeowners in the affected income ranges will be eligible for a refund if their property taxes exceed the new, lower percentage thresholds of 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 current law threshold percentages.

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

- 5 **City aid base.** Provides an increase in the city aid base for four years of \$100,000 from Pay 2011 to Pay 2015, for a city located in the metropolitan area with a 2006 population less than 2,000 and a population growth rate of at least 200% between 1996 and 2006. The city of Mayer is the only city that qualifies.
- 6 **City aid distribution.** Provides that for Pay 2010 only a city's LGA amount is equal to its Pay 2009 certified amount minus the subtraction in section 7. LGA will be based on the formula in Pay 2011 and thereafter.
- 7 **2010 city aid.** Reduces the Pay 2010 city LGA and market values credit payments from the Pay 2009 certified amounts by an amount equal to 1.935 percent of each city's adjusted net tax capacity. The reduction is first taken from LGA payments, and then, if necessary, from market value credit reimbursements.
- 8 **2009 city and county aid reductions.** Reduces Pay 2009 city LGA and market values credit payments from the Pay 2009 certified amounts by an amount equal to 1.2452 percent of each city's adjusted net tax capacity. The reduction is first taken from LGA payments, and then, if necessary, from market value credit reimbursements. Reduces Pay 2009 county program aid payments from the Pay 2009 certified amounts by an amount equal to 0.2308

percent of each county's adjusted net tax capacity.

- 9 Cities.** Adjusts the appropriation limit on city LGA payments. The Pay 2010 payments are equal to the 2009 payments less the adjustments in section 7. Beginning in Pay 2011, the LGA payments are limited to \$516.5 million annually.
- 10 Payments to the city of Coon Rapids.** Makes a one-time payment of \$225,000 to the city of Coon Rapids in Pay 2010 to compensate for its final city aid base payment eliminated as part of the December 2008 governor's unallotment. This payment is not subject to the Pay 2010 aid reductions.
- 11 Repealer.** Repeals the appropriation increases for LGA and CPA of 2 percent in Pay 2010 and another 4 percent in Pay 2011.

Article 7: Seasonal Recreational Property Tax Deferral Program

Overview

This article establishes a property tax deferral program for owners of seasonal-recreational property, which would defer 50 percent of the property tax amount in excess of the tax amount in the year of application for the program. The deferred tax is payable upon transfer of the property or the death of the owner. Effective for applications filed July 1, 2009 and thereafter.

- 1 Seasonal recreational property tax deferral program.** Establishes the "seasonal recreational property tax deferral program" (sections 2 to 9).
- 2 Terms.**

Subdivision 1. Terms. Defines the terms used in this section.

Subd. 2. Primary property owner. "Primary property owner" means a person (1) who has been the owner, or one of the owners, of the eligible property for at least 15 years prior to filing the application to be in the program; and (2) applies for the deferral of the property taxes.

Subd. 3. Secondary property owner. "Secondary property owner" means any person, other than the primary property owner, who has been an owner of the eligible property for at least 15 years prior to the year the initial application is filed for deferral of property taxes.

Subd. 4. Eligible property. "Eligible property" means a parcel of property or contiguous parcels of property under the same ownership and classified as noncommercial seasonal residential recreational property (i.e., cabins).

Subd. 5. Base property tax amount. "Base property tax amount" means the total property taxes levied by all taxing jurisdictions, including special assessments, on the eligible property in the year prior to the year that the initial application is approved and payable in the year of that application.

Subd. 6. Special assessments. "Special assessments" mean any assessment, fee,

or other change that may be made by law, and that appears on the property tax statement for the property for collection under the laws and enforcement of real estate taxes.

Subd. 7. Commissioner. “Commissioner” means the commissioner of revenue.

3 Qualifications for deferral. Defines the criteria needed for a property to qualify for deferral:

- (1) the property must have been owned by the primary owner for at least 15 years prior to enrolling in the deferral program.
- (2) there can be no state or federal tax liens or judgment liens on the property;
- (3) there can be no mortgages or other liens on the property except for those subject to the credit limits under clause (4); and
- (4) the total amount of secured debt on the property, including mortgages and other liens, delinquent special assessments, and delinquent property taxes, but not including the current year’s property taxes, may not exceed 60 percent of the property’s estimated market value.

4 Application for deferral.

Subdivision 1. Initial application. (a) Requires an owner of a qualified property to file an application on or before July 1 of any year in order for property taxes payable in the forthcoming year to qualify for deferral. The application must include:

- (1) the name, address and social security number of the primary owner and any secondary owners;
- (2) a copy of the current year’s property tax statement;
- (3) the initial year of ownership of the primary owner and any secondary owners;
- (4) information on all loans secured by mortgages or other liens on the property; and
- (5) the signature of the primary owner and all other owners, stating that they agree to having the property enrolled in the program.

The application must state that program participation is voluntary, including authorization for the annual deferred amount. Provides that the deferred tax amount is public data.

(b) Allows the commissioner of revenue to ask for a report by a licensed abstracter in the case of abstract property seeking enrollment in the deferral program.

Subd. 2. Approval; recording. Requires the commissioner of revenue to notify applicants of enrollment prior to December 1 for taxes payable in the following year, and to file a notice of qualification for deferral with the county recorder.

Subd. 3. Penalty for failure; investigations. Requires the commissioner to assess a penalty equal to 20 percent of the deferred tax in the case of a false application, or 50 percent in the case of the taxpayer knowingly filing a false

application.

Subd. 4. Annual certification to commissioner. Requires the primary property owner to certify annually by July 1 that the property continues to qualify for the program. Requires that if the primary owner has died or has transferred the property, the primary owner's spouse or a secondary owner may make the certification, and in that case that person will become the primary owner. Provides that if neither the primary owner, the primary owner's spouse nor a secondary owner are eligible to file the annual certification, the property's participation in the program will terminate and payment of the deferred taxes must be made.

Subd. 5. Annual notice to primary owner. Requires the commissioner of revenue to annually notify the primary owner of the total amount of deferred taxes for each participating property.

5 **Deferred property tax amount.**

Subd. 1. Calculation of deferred property tax amount. Provides that the deferred tax amount for a qualifying property each year is 50 percent of the amount by which the current year's property tax (including special assessments) exceeds the property taxes in the base year (year of application). Provides that any tax attributable to improvements made to the property since the base year are not subject to deferral. Also provides that the deferred tax amount is to be shown on the tax statement.

Subd. 2. Certification to commissioner. Provides that the county auditor shall annually by April 15 certify the amount of deferred taxes to the commissioner of revenue for each qualifying property.

Subd. 3. Limitation on amount of deferred taxes. Provides that the total amount of deferred taxes on a property, when added to any unpaid special assessments and/or property taxes and the balance owed on any mortgages at the time of application and the amount of other secured liens at the time of application, must not exceed 60 percent of the property's estimated market value.

6 **Lien; deferred portion.** (a) Provides that interest on the deferred taxes will accrue at a rate not to exceed two percent more than the interest rate on deferred taxes under the senior deferral program in chapter 290B.

(b) Provides that the deferred taxes become a lien on the property. Contains standard language pertaining to what happens when the property taxes are not paid on the property participating in the program.

7 **Termination of deferral; payment of deferred taxes.**

Subdivision 1. Termination. (a) Provides for program termination whenever:

(1) the eligible property is transferred to someone other than the primary owner's spouse or a secondary owner;

(2) the primary owner dies, or in the case of a married couple both spouses die, provided that there is not a secondary owner eligible to become a primary owner;

(3) the owners notify the commissioner of revenue that they no longer wish to participate in the program; or

(4) the property no longer qualifies under section 3.

(b) Provides that a property is not terminated from the program just because no taxes are deferred in any given year.

(c) Provides that if an eligible property becomes the homestead of one of the owners, and if the homeowner qualifies for the senior deferral program, the deferred tax under the seasonal-recreational deferral program will be rolled-over to the senior deferral program.

Subd. 2. Payment upon termination. Provides that the deferred taxes become due and payable within 90 days of termination if the primary owner dies or transfers the property, or within one year if the owners opt-out of the program or if the property ceases to remain eligible.

8 State reimbursement. Provides that the state will pay the deferred tax amount to each county treasurer by August 31 of each taxes payable year. The county treasurer shall distribute the dollars as part of the regular October settlement. Appropriates to the commissioner of revenue annually a sum sufficient to pay the deferred tax amounts.

9 Effective date. Provides that sections 10 to 17 are effective for applications filed July 1, 2009, and thereafter.

Article 8: Miscellaneous

Overview

Allows for levy recertification in the case of December unallotments. Provides for some additional special levies outside of levy limits and amends the levy limit calculation. Expands local governments' ability to issue emergency certificates of indebtedness. Also makes adjustments to three existing local sales taxes.

1 Recertification of levy due to unallotment. Allows local governments to recertify their levy by January 15 of the year in which the levy is paid if it has a reduction in its December property tax aid and credit payments due to a governor's unallotment. If the recertification is not reported to the county auditor within 2 business days of January 15, the original levy certification stands.

2 Special levies. Provides for the following changes to special levies outside of levy limits:

- expands the existing special levy for aid and credit reductions due to unallotments to include (1) aid losses that occur in the previous year, after a city or county has certified its levy; and (2) reductions in market values credits;
- adds a special levy to pay for the state share of the costs of confining sex offenders undergoing the civil commitment process to the extent the state does not fund its share; and

- adds a special levy for counties to pay the first year costs of maintaining and operating a new public safety and courts facility that was funded prior to the imposition of levy limits in 2008. This amount is rolled into the county's levy limit base in subsequent years.

3 Adjusted levy limit base. Clarifies that the adjusted levy limit base does not decrease if the implicit price deflator decreases.

4 Emergency certificates of indebtedness. Emergency debt certificates. Authorizes a city, county, or town to issue emergency debt certificates if both of the following occur in a fiscal year:

- The governmental unit's current year revenues are expected to be reduced below their budgeted amounts (i.e., the amount set in the budget used to set the property tax levy)
- The reduction is so large that current year expenses will exceed current year receipts.

This authority, for example, could be triggered by a mid-year reduction in state payments of aids or credits, by an unexpectedly high level of property tax delinquencies or a drop in receipts from fees for issuing building permits and similar.

The maximum amount of certificates that may be issued is limited to the expected reduction in receipts, plus the costs of issuance. The certificates must mature (be paid off) within two years of the end of the fiscal year in which they were issued. The certificates are excluded from net debt limits.

A governmental unit issuing emergency debt certificates is adjusted to prohibit it from exercising special levy authority (outside levy limits) for amounts funded with the certificates. Since levies to repay bonded debt (including the emergency debt certificates) are special levies, this prevents a city or county from both receiving an additional direct levy for the same aid reduction.

5 Minneapolis downtown taxing area. Modifies the area in which the special Minneapolis convention center tax applies to exclude properties that:

- are zoned under chapter 546 of the Minneapolis zoning code (this is the chapter that zones residential uses) and
- contain a restaurant or bar.

6 Mankato local sales tax - use of revenues. Amends the allowed uses of the Mankato local sales tax revenue by deleting the requirement that the performing arts center and a women's hockey arena must be attached to the Mankato Civic Center. The amount allowed to be raised by the local sales tax remains unchanged.

7 Owatonna local sales tax – use of revenues. Modifies the allowed uses of revenue generated by the city of Owatonna's local sales tax. Currently the city is allowed to use up to \$4.5 million for transportation projects listed in the 2004 U.S. Highway 14-Owatonna Beltline study. This allows the city to use up to \$1.5 million of the \$4.5 million for another road project in the city. The change in use would not require a local referendum. The

amount allowed to be raised by the local sales tax remains unchanged.

- 8** Mankato local restaurant and entertainment taxes - use of revenues. Makes a conforming change to the change in section 6.