

# HOUSE RESEARCH

## Bill Summary

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**Section**

**Article 1: Homestead Credit Refund and Renter Property Tax Refund**

**Overview**

Modifies the renter and homeowner property tax refund programs by: decreasing the income threshold percentages used to determine eligibility for the homeowner program for income levels over \$19,530, making corresponding decreases in the income threshold percentages under the renter property tax refund, and increasing the maximum refund for renters across all income ranges. Renames the homeowner program the “homestead credit refund.” Provides that most voluntary contributions to retirement plans are not included in household income, and all distributions from retirement plans are included in household income. Requires the commissioner to match property tax data submitted by the counties with income tax and other data collected by the Department of Revenue and notify homeowners whom the commissioner estimates may be eligible for a homestead credit refund of at least \$1,000.

- 1** **Household income.** Modifies the definition of household income used for the property tax refund program (for both homeowners and renters) by excluding a portion of contributions to voluntary retirement plans, and including all distributions from such plans. Also modifies the addition for the federal tuition deduction to reference the Internal Revenue Code and strikes the obsolete addition for unemployment benefits.

**Background.** The definition of household income used for the property tax refund program begins with federal adjusted gross income (FAGI), but then requires the taxpayer to add a number of income sources not included in federal adjusted gross income such as nontaxable Social Security benefits, worker’s compensation benefits, veteran’s benefits, etc.

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**Contributions.** Current law includes contributions to all voluntary retirement plans in household income. Contributions to Roth individual retirement accounts (IRAs) and other Roth plans are included in FGI in household income, and property tax refund claimants are required to add to household income nontaxable contributions to voluntary retirement programs such as IRAs, SEP and Keogh plans, 401(k)s, and deferred compensation plans.

This section allows claimants to exclude from household income up to \$5,500 in contributions, including contributions to Roth IRAs and other Roth plans. The limit on contributions is defined by reference to the contribution limit for IRAs in effect for the tax year, which equals \$5,500 for tax year 2013.

**Distributions.** Current law includes distributions from all voluntary retirement plans, except distributions from Roth style accounts and plans, to be added to household income.

This section requires claimants to include Roth distributions in household income.

**Effective date.** Effective for refunds based on taxes payable in 2014 and rent paid in 2013.

- 2 **Homestead credit refund.** Names the homeowner property tax refund the “homestead credit refund,” and provides a new schedule for the refund. The new schedule decreases the threshold percentage used to determine eligibility for the refund, for homeowners with household income between \$19,500 and \$105,300, with the threshold decreasing to 2.0 percent for homeowners with household incomes from \$19,500 to \$64,930, and the threshold percentage at the highest income levels eligible decreasing from 3.5 percent to 2.5 percent. The schedule also updates the income brackets and maximum refunds to the amounts projected to be in effect under current law for refunds based on taxes payable in 2014. The reduction in the threshold percentage allows for the number of income ranges in the schedule to be decreased from 27 to 23. Effective beginning with refunds based on taxes payable in 2014.

**Background.** The refund is also sometimes called the “circuit breaker” and is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The refund equals a percentage of property taxes paid over a threshold of income, up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 27 income brackets: the threshold percentage increases as income increases, the percentage of taxes over the threshold paid by the homeowner (the copayment) also increases as income increases, and the maximum refund decreases as income increases. For refunds based on taxes payable in 2014, the maximum income eligible is projected to be \$105,500.

- 3 **Renter property tax refund.** Decreases the threshold percentages under the renter property tax refund to be no higher than the threshold percentages proposed for the homestead credit refund in section 2. The effect is to decrease the thresholds to be two percent for household incomes from \$31,030 to \$57,170, the maximum income eligible. Under current law threshold percentages for incomes from \$31,030 to \$57,170 increase as income increases from 2.2 percent to 3.5 percent. The reduction in the threshold percentage allows for the

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number of income ranges in the schedule to be decreased from 29 to 22.

Also increases the maximum refund allowed under the renter property tax refund across all income ranges, with the maximum at the lowest income ranges increasing from \$1,620 to \$2,000.

Effective beginning with refunds based on rent paid in 2013.

**Background.** The refund is also sometimes called the “renters’ credit,” and is a state-paid refund that provides tax relief to renters whose property taxes are high relative to their incomes. Property tax for renters is defined to equal 17 percent of rent paid. The refund equals a percentage of property taxes paid over a threshold of income, up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 29 income brackets: the threshold percentage increases as income increases, the percentage of taxes over the threshold paid by the renter (the copayment) also increases as income increases, and the maximum refund decreases as income increases. For refunds based on taxes payable in 2014, the maximum income eligible is projected to be \$57,170.

- 4 Homestead credit refund and renter property tax refund; inflation adjustment.** Updates the annual inflation adjustment of the income brackets and maximum refunds for the homestead credit refund and renter property tax refund to be calculated relative to the schedules provided in sections 2 and 3.
- 5 Notification of potential eligibility; report.** Directs the commissioner to undertake a onetime effort in 2014 to notify homeowners who may be eligible for a homestead credit refund of at least \$1,000, using data from the most recent income tax returns and homestead credit refund claims matched with information about current year homestead property tax information provided by county auditors. Effective for refunds based on taxes payable in 2014, with the notifications due by August 1, 2014.

Requires two reports to the legislature on the notification project, a preliminary report by March 15, 2015, and a final report by February 15, 2016. The reports are to include information on:

- ▶ the count and dollar amount of homestead credit refund claims anticipated prior to the notification;
- ▶ the number of notifications issued by county;
- ▶ the count and dollar amount of claims, with preliminary information provided in the 2015 report, and final information in the 2016 report; and
- ▶ information on any other outreach efforts conducted by the department.

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### Article 2: Property Tax Aids and Credits

#### Overview

- Replaces the current LGA formula with a new formula that makes adjustments to an individual's city aid based on its "aid gap" or the difference between its current aid and its unmet need as measured by the formula.
- The LGA appropriation is increased from the current \$426 million to \$507.6 million for 2014, which includes a one-time payment to Red Wing. The appropriation is increased by \$2.5 million/year for 2015 and 2016 and then frozen at the 2016 amount.
- Increases the appropriation for County Program Aid (CPA) by \$40 million per year, from \$166 million to \$206 million.
- The payments in lieu of taxes (PILT) program is modified by reclassifying certain land, increasing certain payments, and eliminating extra payments for certain types of property. Some of the changes, as indicated, were recommended in a 2012 Department of Natural Resource report.
- Provides 415.5 million in additional state aid for fire and police pension support.
- Makes a number of modifications to the sustainable forest incentive act program.

Increases the disparity reduction credit, which reduces tax burdens on commercial-industrial properties in four cities on the North Dakota border.

- 1 Disparity reduction credit.** Increases the credit by providing that the credit will be the amount necessary to reduce the effective tax rate on commercial-industrial and apartment properties in the four border cities to 1.9 percent, versus the current 2.3 percent.
- 2 Forest land.** Excludes land exceeding 60,000 acres that is subject to a single conservation easement and any land that becomes subject to a conservation easement after May 30, 2013, from participation in the Sustainable Forest Incentive Act (SFIA) program.
- 3 Eligibility requirements; SFIA.** Requires that claimants enrolling more than 1,920 acres in the program must also allow motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource or road damage reasons.
- 4 Length of covenant; SFIA.** Allows a participant to terminate its covenant in the program if future changes are made to the payment formula.
- 5 Calculation of SFIA incentive payment.** Removes the \$100,000 per recipient cap on SFIA payments.
- 6 Police and firefighter retirement supplemental state aid.** Provides for annual state

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payments of \$15.5 million per year to support police and firefighter pension funds. Each year, \$9 million will be paid to PERA for the police and fire fund, \$5.5 million per year will be paid by formula to municipalities with voluntary firefighters, and \$1 million will be paid to the Minnesota State Retirement System for deposit in the state patrol fund.

- 7 Pre-1940 housing percentage.** “Pre-1940 housing percentage” is defined as 100 times the ratio of total occupied and vacant housing units built before 1940 to the total number of occupied and vacant housing units in the city. Clarifies that 2010 housing data is used in calculating 2014 aid payments. For East Grand Forks, the ratio of pre-1940 housing units as of the 1990 census to the total current number of housing units is used to adjust for past floods in the city. This is a need factor for medium and large cities.
- 8 Percent of housing built between 1940 and 1970.** “Percent of housing built between 1940 and 1970” is defined as 100 times the ratio of total occupied and vacant housing units built in 1940 and later, but before 1970, to the total number of occupied and vacant housing units in the city. Clarifies that 2010 housing data is used in calculating 2014 aid payments. This is a need factor for large cities.
- 9 City revenue need.** Defines city revenue need per capita for each size of city:
- For cities with a population over 10,000 (large cities): Revenue need = 1.15 times the sum of (1) 4.59 times the pre-1940 housing percentage, (2) 0.662 times the percent of housing built between 1940 and 1970, (3) 169.415 times the jobs per capita, (4) a sparsity adjustment, and (5) 307.664.
  - For cities with a population between 2,500 and 10,000 (medium cities): Revenue need = 1.15 times the sum of (1) 572.62, plus (2) 5.026 times the pre-1940 housing percentage, minus (3) 53.768 times household size, plus (4) 14.022 times peak population decline.
  - For cities with a population less than 2,500 (small cities): Revenue need = 410 plus 0.367 times the city population over 100. But the revenue need for these cities cannot exceed \$630 per capita.

Paragraph (d) provides a transition mechanism for cities between the three need formulas. For the population between 2,500 and 3,000, a city’s need is based on both a percentage of its need under the small city formula and a percent of its need under the medium city formula with the percent based on the medium city formula increasing as the population nears 3,000. A similar transition is provided between the medium and large city need formulas for populations between 10,000 and 10,500.

Retains an inflation index for need measures similar to the one in current law.

- 10 Jobs per capita.** “Jobs per capita” is the average number of annual employees from the quarterly census of employment and wages divided by a city’s population. This is a need factor for large cities and the Department of Employment and Economic Development will be required to calculate this every two years for the 95 large cities.

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- 11**      **Peak population decline.** “Peak population decline” is a city’s population decline, if any, from its highest population listed in a decennial census from 1970 or later. This is a need factor for medium cities.
- 12**      **Sparsity adjustment.** Provides a formula adjustment in the large city revenue need measure of \$100 per capita for any city with a population density of less than 150 persons per square mile.
- 13**      **Town aid.** Provides aid payments to towns in 2014 and thereafter equal to the product of: (1) its agricultural property factor; (2) its town area factor; (3) its population factor; and (4) 0.0045. If the sum of all aids payable under this subdivision exceeds the limit, the distribution to each town must be reduced proportionately.
- 14**      **City formula aid.** “Formula aid” for Pay 2014 is a city’s 2013 certified aid plus a percentage of the gap between its unmet need and its 2013 certified aid. For aids payable in 2015 and thereafter, “formula aid” is the city’s formula aid from the previous year plus the gap between its unmet need and its certified (total) aid from the previous year.
- 15**      **City aid distribution.** A city’s total aid is equal to the sum of its formula aid plus any adjustments in section 16. For aids payable in 2014, no city’s total aid may be less than its 2013 aid. For aids payable in 2015 and thereafter, no city’s total aid may decrease from the previous year by more than \$10 per capita or an amount equal to five percent of its levy in the previous year, whichever is less.
- 16**      **Certified aid adjustments.** Provides for three aid adjustments from the formula. Paragraph (a) continues to provide the city of Warroad an extra \$150,000 per year for the next five years to compensate them for a commercial property devaluation. This had been a permanent adjustment under current law.
- Paragraph (b) provides an extra payment of \$160,000 annually to the city of Mahanomen to compensate for tax base lose due to an Indian casino.
- Paragraph (c) provides an extra payment of \$1 million to the city of Red Wing for 2014 only. The 2014 appropriation in section 17 was increased so that this did not reduce payments to other cities.
- 17**      **Payment dates.** Allows a city that is located in a disaster area for an event that occurred in April 2013 to get its entire 2013 LGA payment on July 20, 2013.
- 18**      **Cities.** Sets the total city aid appropriation at \$507.6 million for aids payable in 2014, \$509.1 million for aids payable in 2015, and \$511.6 million for aids payable in 2016 and thereafter.
- 19**      **Counties.** Increases county program aid by \$40 million per year for aids payable in 2014 and thereafter by increasing the appropriation for “need aid” and “tax base equalization aid” each by \$20 million. Makes technical language changes related to payments for local impact notes.

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- 20 Towns; appropriations.** Sets the town aid appropriation for aids payable in 2014 and thereafter at \$10,000,000.
- 21 Debt service aid; city of Minneapolis.** Provides that the state will make annual payments to the City of Minneapolis equal to 40 percent of the annual levy for payments for the city's library referendum bonds, beginning in 2016.
- 22 PILT; purpose statement.** Provides a purpose statement for payment in lieu of taxes (PILT) as recommended in a Department of Natural Resources PILT report published in December 2012.
- 23 PILT; acquired natural resources land.** Modifies the existing definition of "acquired natural resources land" to specifically exclude "wildlife management land."
- 24 PILT; other natural resources land.** Modifies the existing definition of "other natural resources land" to specifically exclude "acquired natural resource land" and "wildlife management land."
- 25 PILT; military game refuge.** Creates the new definition of "military game refuge" as land owned in fee by another state agency for military purposes and designated as a state game refuge. This land is the Camp Ripley game refuge that currently receives a payment under Chapter 97A.
- 26 PILT; transportation wetland.** Creates a new definition of "transportation wetland" as land administered by the Department of Transportation in which the state acquired, by purchase from a private owner, a fee title interest in over 500 acres of land within a county to replace wetland losses from transportation projects.
- 27 PILT; wildlife management land.** Creates a new definition of "wildlife management land" as land administered by the commissioner in which the state acquired, from a private owner by purchase, condemnation, or gift, a fee interest under the authority granted in Chapter 94 (lands, state forests) or 97A (game and fish) for wildlife management purposes and actually used as a wildlife management area.
- 28 PILT; payments.** Sets PILT payments as follows:
- 1. *Acquired Natural Resources Land:*** \$5.133, multiplied by the total number of acres or, at the county's option, three-fourths of one percent of the appraised value of land in the county, whichever is greater (no change from current law);
  - 2. *Transportation Wetland:*** \$5.133, multiplied by the total number of acres of transportation wetland, or, at the county's option, three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater ( receives similar payment under current law);
  - 3. *Wildlife Management Land:*** three-fourths of one percent of the appraised value of all wildlife management land in the county (eligible for an alternative \$5.133/ acre payment under current law);



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4. ***Military Refuge Land***: 50 percent of the dollar amount as determined under clause (1), multiplied by the number of areas of military refuge land in the county (same as current payment in Chapter 97A);
5. ***County-Administered***: \$1.50 multiplied by the number of acres of county-administered other natural resource land in the county (increased from \$1.283/acre payment in current law);
6. ***Land Utilization Projects***: \$5.133 multiplied by the total number of acres of land utilization project land in the county (increased from \$1.23/ acre under current law);
7. ***Commissioner-Administered***: \$1.50 multiplied by the total number of acres of commissioner-administered other natural resources land in the county (increased from \$0.642/acre under current law).
8. ***Local Drainage Assessments***: Without regard to acreage, \$300,000 for local assessments under section 84A.55, subdivision 9 (new provision) .

- 29**     **PILT; determination and certification of land.** Clarifies that the commissioner of natural resources shall determine and certify to the commissioner of revenue the number of wildlife management land and military refuge land within each county and the commissioner of transportation shall determine and certify to the commissioner of revenue the number of acres of transportation wetland within the county, to reflect the additional classifications of land.
- 30**     **PILT; determination of appraised value.** Changes the appraised schedule of acquired natural resources land from five years to six years to correspond to the schedule for appraising other tax exempt property. This was a recommendation in the 2012 DNR PILT report.
- 31**     **PILT; townships.** Requires that ten percent of the amount received by the county for each acre of acquired natural resource, transportation wetland, county-administered, land-utilization, and commissioner administrated land must be paid to each organized township. This was a recommendation in the 2012 DNR PILT report.
- 32**     **PILT; distribution for wildlife management land and military refuge land.** Requires the county treasurer to allocate payments for these lands among the county, town and school districts as if they were taxes on the land received in the year.
- 33**     **Mahnomen County; appropriations.** Increases the annual aid appropriations to taxing jurisdictions in Mahnomen County from \$600,000 to \$1.2 million. The payments are as follows - \$900,000 to the county of Mahnomen, \$160,000 to the city of Mahnomen and \$140,000 to Independent School district No. 432, Mahnomen.
- 34**     **SFIA covenant.** Releases lands from their SFIA covenants, if they are disqualified from participating in the program as a result of conservation easements.
- 35**     **SFIA reenrollment.** Allows lands that dropped out the SFIA program in response to the 2011 changes in the law to reenroll and qualify for 2013 SFIA payments, if they do so within

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60 days after enactment of the bill.

- 36** **Repealer.** Repeals a number of provisions needed for the current LGA formula that are no longer used in the new distribution formula as well as obsolete provisions related to aid reductions over the last several years.

Repeals the additional or alternative PILT payments in Chapter 97A for goose crop lands, public hunting lands and Camp Ripley game refuge as well as a payment to Chisago county for land in St. Croix Wild River State Park under special law special law. This was a recommendation in the 2012 DNR PILT report.

## **Article 3: Education Provisions**

### **Overview**

- Provides higher levels of referendum equalization
- Allows \$300 of referendum levy to be approved by the school board rather than the voters
- Creates location equity revenue program for metro and outstate regional center districts

- 1** **Achievement and integration revenue.** Provision taken from education finance bill (H.F. 630), with the only difference that aid/levy split is set at 70/30.
- 2** **General education revenue.** (technical) Provision taken from education finance bill (H.F. 630), that adds location equity revenue to general education revenue.
- 3** **Location equity revenue.** Establishes a new component of general education revenue called location equity revenue. Sets the revenue amount equal to \$424 per adjusted pupil unit for any district located wholly or partially in the metropolitan area and \$212 per adjusted pupil unit for any other district that serves at least 2,000 students.
- Provides the location equity revenue through an equalized aid and levy with an equalizing factor of \$510,000. Calculates and spreads the levy on referendum market value. Also allows districts the option to opt out of the location equity revenue program.
- 4** **General education aid.** (technical) Provision taken from education finance bill (H.F. 630), that adds location equity aid to general education aid.
- 5** **Referendum revenue.** Provision taken from education finance bill (H.F. 630), with modifications to create a new third tier of referendum equalization, with new (higher) equalization levels set for each tier. Also provides that \$300 per pupil unit for all districts is allowed to be board-approved rather than voter-approved.
- 6** **Operating referendum freeze; fiscal year 2015.** For fiscal year 2015 only, prohibits a school district from authorizing an increase in its operating referendum, except to reauthorize an expiring referendum, unless either (i) the board has adopted a resolution to conduct a

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referendum prior to June 30, 2013, (ii) the district did not have an operating referendum in fiscal year 2014, or (iii) the district is in statutory operating debt.

### **Article 4: Property Taxes**

#### **Overview**

Makes miscellaneous changes to the property tax system, including:

- granting active duty military homeowners a four-month grace period to pay their property taxes;
- granting property tax exemptions for Target Center and the new St. Paul ballpark;
- providing a reduced class rate for certain low-income housing properties;
- providing for a study of a joint governing structure for the Target and Xcel centers;
- imposing levy limits for counties and cities for taxes payable in 2014 only;
- providing a one-year moratorium on changes in the taxable status of property involved in the production of biofuels and related industries, and requiring the commissioner of revenue to study the issue; and
- exempting Bloomington from the final four years of loan repayments to the fiscal disparities pool.

- 1 Evaluation and report.** Extends the maximum amount of time the Board of Water and Soil Resources (BWSR) has to evaluate a local water management entity's progress in accomplishing its plan to ten years (from five years) and allows the board to determine the frequency based on the budget and operations of the entity.
- 2 Tax levy authority.** Broadens tax levy authority by allowing a county, municipality, or township to levy for implementation funds for a comprehensive watershed management plan. Also clarifies that counties may levy for the reasonable costs to soil and water conservation districts for administering and implementing programs identified in the plans.
- 3 Financial assistance.** Requires a county that implements a water implementation tax to raise matching funds for base grants awarded by BWSR to levy at a rate that is sufficient to generate a minimum amount (to be determined by BWSR). Authorizes the use of funds raised by metropolitan county conservation fees (a \$5 fee on mortgage and deed recordings/registrations) to be used as matching funds for the base grants and to address high-priority needs in local water management plans or comprehensive watershed management plans.
- 4 Cost-sharing funds.** Eliminates cost-share fund allocation requirements that required 70 percent of cost-share funds to be allocated to certain areas and no more than 20 percent to be allocated for technical and administrative assistances. Requires funds for technical assistance to be used to leverage federal or other nonstate funds or address high-priority

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needs in local water management plans or comprehensive watershed management plans.

- 5 **Authority.** Allows soil loss ordinances adopted by counties, cities, and towns to use the soil loss tolerance for each soil type developed by BWSR, in addition to those in the United States National Resources Conservation Service Field Office Technical Guide, which is currently the only approved source. (Soil loss tolerance is the maximum annual rate of soil loss by erosion that will permit crop productivity to be sustained.) Requires soil loss ordinances to be consistent with a comprehensive plan, local water management plan, or watershed management plan.
- 6 **Manufactured homes and park trailers.** Exempts manufactured homes and park trailers from the motor vehicle registration tax and the personal property tax if held as inventory by a limited dealer. (Currently, the inventory exemption applies only to “licensed dealers.”) References a new definition of inventory contained in section 13.
- 7 **Manufactured home as dealer inventory.** Defines a manufactured home as dealer inventory if it is listed as inventory by a licensed or limited dealer, and is unoccupied and not available for rent. Under these conditions, it is considered part of dealer’s inventory even if it is permanently connected to utilities (when located in a manufactured home park); or temporarily connected to utilities (when located at a dealer’s sales center). Puts a 5-year limit on the time that an unoccupied home held in inventory is exempt.
- 8 **Assessor sanctions.** Provides that the state board of assessors may censure, warn, or fine an assessor in addition to their currently available possible sanctions of suspending, revoking, or refusing to grant a license. Provides that these new sanctions can also be applied against unlicensed assessors.
- 9 **Report on disciplinary actions; assessors.** Requires the state board of assessors to make a biannual report on the sanctions recommended by the commissioner of revenue under section 14, and the disposition of those recommendations by the board.
- 10 **Disposition of fines.** Provides that fines imposed under section 8 must be deposited in the general fund.
- 11 **Assessor accreditation.** Requires that every individual who appraises or physically inspects property for property tax valuation or classification purposes must become licensed as an accredited assessor by July 1, 2019, or by four years after becoming a licensed assessor, whichever is later.
- 12 **Economic development; public purpose.** Increases the allowed time that a jurisdiction may hold property awaiting development off the tax rolls from nine years to 15 years under two conditions: (1) property acquired after January 1, 2000 and before December 31, 2010 regardless of location, or (2) property located in a city with a population under 20,000 located outside the metro area. *[Under current law, the allowable period is 15 years for cities under 5,000 population located outside the metro area, and nine years for all other cities.]*
- 13 **Certain property owned by Indian tribe.** Creates a property tax exemption for certain

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property located in Minneapolis owned by a federally recognized tribal government used for tribal government activities or services to members of the tribe. The bill explicitly provides that the exemption applies only to property used for noncommercial and nonresidential purposes. Limits the exemption to no more than two contiguous parcels. Provides that the exemption expires with taxes payable in 2024.

- 14 Electric generation facility; personal property.** Provides a property tax exemption for the personal property of a new electric generation facility on which construction begins between June 1, 2013, and June 1, 2017, that: exceeds five megawatts of installed capacity, utilizes natural gas as a primary fuel, is owned and operated by a municipal power agency, is located within the service territory of a municipal power agency's utility that serves a metropolitan county, and connects directly with a municipality's substation.

These facilities are planned for the cities of Anoka, Chaska, North St. Paul, and Shakopee.

- 15 Assessor terms; vacancy.** Elimination of redundancy with regard to new language of section 16.
- 16 Commissioner review of assessment practices.** Provides that the commissioner of revenue may conduct investigations of assessor malfeasance, and make recommendations to the state board of assessors for appropriate sanctions.
- 17 Conservation property tax valuation.** Provides that the value of real property subject to a conservation restriction or easement shall not be reduced by the assessor if the restriction is for a conservation purpose and the property is being used in accordance with the restriction. Provides that this section does not apply to restrictions or easements covering riparian buffers along lakes, rivers and streams that are used for water quantity, or to easements granted by a county that has adopted a program by referendum to protect farmland and natural areas since 1999.
- 18 Class 4 property.** Provides for a reduced class rate of 0.25 percent for class 4d property (low-income housing) over \$100,000 in value per housing unit. Currently the entire class is subject to a class rate of 0.75 percent. Provides for indexing of the tier bracket based on the statewide average growth rate for apartment property values. Also makes a technical change.  
Effective beginning with taxes payable in 2015.
- 19 Due dates; penalties.** Inserts a cross reference to section 20.
- 20 Federal active service exception.** Grants a four-month grace period for complying with the property tax due dates for homestead property owned by an individual who is on federal active service. No late fees or penalties may be assessed during this period. The taxpayer must also provide proof of the dates of active federal service at the time of payment.
- 21 Delinquent property.** Provides that property owned by an individual who is on active federal service on the property tax due date shall not be deemed delinquent.
- 22 Confessions of judgment; class 3a property.** Removes the value cap of \$500,000 for class

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3a property eligible for a confession of judgment and adds an approval requirement by the county auditor. Also allows assessment authorities or municipalities to waive or abate repayment of a portion of special assessments. Conditions including, but not limited to, environmental remediation may be required when considering eligibility.

- 23**     **Installment payments.** Adjusts amount and number of payments under confessions of judgment by allowing an initial payment of one-fifth the amount and four equal, annual installments.
- 24**     **Expiration of time for redemption.** Conforms cross-reference for redemption periods.
- 25**     **Period for redemption.** Removes five year period for redemption for homestead or seasonal residential recreational land, so that the redemption period for most properties is three years.
- 26**     **Hennepin and Ramsey Counties; mortgage registry tax authorization.** Codifies the authority for Hennepin and Ramsey Counties to levy an additional mortgage registry tax in the statute governing mortgage registry taxes.
- 27**     **Hennepin and Ramsey Counties; deed tax authorization.** Codifies the authority for Hennepin and Ramsey Counties to levy an additional deed tax in the statute governing deed taxes.
- 28**     **Expiration.** Extends Ramsey County's authority to levy additional mortgage registry and deed taxes by 15 years.
- 29**     **Expiration.** Extends Hennepin County's authority to levy additional mortgage registry and deed taxes by 15 years.
- 30**     **Special service districts.** Extends the allowable period for establishment of new special service districts without special authorization by 15 years.
- 31**     **Housing improvement districts.** Extends the allowable period for establishment of new housing improvement districts without special authorization by 15 years.
- 32**     **Bloomington computation.** Relieves Bloomington of its obligation to repay a loan it received from the fiscal disparities pool in the late 1980's and 1990's for the last four years of repayment, 2015-2018. Provides that the state will make the extra payments to the pool instead for those four years.
- 33**     **Cook-Orr Hospital District.** Modifies the levy authority of the Cook-Orr Hospital District by allowing the levy to be used to purchase equipment, parts, and replacement parts for ambulances, in addition to the existing authority to purchase ambulances. Also provides that the proceeds of the levy be divided equally between the Cook ambulance service and the Orr ambulance service.
- 34**     **Sawyer cemetery levy.** Reinstates and makes permanent Carlton County's authority to levy in and for the unorganized territory of Sawyer for cemetery purposes. Eliminates the \$1,000

**Section**

annual cap on the levy. Requires local approval.

- 35 Northwest MN HRA levy authority.** Extends the authority of the Northwest Minnesota Multicounty Housing and Redevelopment Authority to levy up to 25 percent of its total levy authority on its own by five years, through taxes payable in 2018.
- 36 Cloquet area fire and ambulance taxing district; agreement.** Allows municipalities to join the district that are non-contiguous to current member-municipalities.
- 37 Cloquet area fire and ambulance taxing district; tax.** Requires the district board to determine the amount of the levy attributable to fire and ambulance services. Costs of ambulance services shall be levied at a rate not to exceed 0.019 percent of estimated market value and for municipalities that receive both fire and ambulance services the levy shall be at a rate not to exceed 0.2835 percent.
- 38 Marshall County farm homesteads.** Allows farmers in Marshall County who were forced to move away from their farms due to flooding in 2009 to continue to receive agricultural homestead classification on the farmland indefinitely, provided they continue to reside in Minnesota within 50 miles of the land. This provision was originally adopted in 2010 on a temporary (two-year) basis.
- 39 Entertainment facilities coordination.** Requires the cities of Minneapolis and St. Paul to report to the legislature by February 1, 2014, their study of providing a joint governing structure for the arenas in the two cities. Requires the commissioner of administration to contract with a consultant to conduct all or a portion of the study. Requires the two cities together to pay one-half of the cost of the study. Requires the cities to do the study with representatives of the primary professional sports team tenants of each facility.
- Provides a general fund appropriation of \$50,000 to the commissioner of administration to pay up to one-half of the cost of the consultant contract.
- 40 Reimbursement for tax abatements.** Requires the commissioner of revenue to reimburse taxing jurisdictions for property tax abatements granted because of a tornado that damaged parts of Minneapolis and other parts of the northern metro area in 2011. The state authorized these abatements (with state reimbursements) in the 2011 tax bill, but Hennepin County's request for reimbursements was submitted after the deadline in the legislation.
- 41 St. Paul ball park; property tax exemption.** Grants a property tax exemption for a city-owned ball park primarily used by a minor league team. The ball park remains subject to special assessments. Requires local approval.
- 42 Target Center; property tax exemption.** Provides a property tax exemption for the Target Center. The exemption does not apply to any portion of the facility leased for business purposes unrelated to the operation of the arena, including a restaurant open more than 200 days a year. Requires local approval.
- 43 Public entertainment facility; construction manager at risk.** Allows the city of Minneapolis to contract with persons, firms, or corporations to perform projects to renovate,

## Section

refurbish and remodel the Target Center under either the traditional design-bid-build or construction manager at risk, or a combination thereof.

- 44 Extension of property tax due date.** Extends the time resort owners and other seasonal business owners have to pay their first half property taxes by two weeks, from May 31 to June 14, for taxes payable in 2013 only.
- 45 Report on class 4d tier structure.** Requires the commissioners of revenue and housing finance to make a report to the legislature on the implementation and effect of the changes to the class 4d (low-income housing) tier structure found in section 18. The report is due by January 31, 2015.
- 46 Study and report on production property; moratorium on assessment changes.** Requires the commissioner of revenue to study the assessment of property used in the production of biofuels and other industries that use similar types of equipment, and report the findings of the study to the legislature by February 1, 2014. Prohibits assessors from changing current assessment practices with regard to the taxable status of property used in the production of biofuels and other industries that use similar types of equipment, for taxes payable in 2014 and 2015 only.
- 47 Property tax savings report.** Requires each county and each city with a population over 500 to include along with its certification of its proposed levy the amount of sales and use tax paid or estimated to have been paid in 2012. Requires the TNT notice to include a separate statement providing a list of sales and use taxes certified by the county and cities. At the TNT public hearing, the county and city must discuss the savings as a result of the sales tax exemption provided in article 8. Effective for notices for taxes payable in 2014 only.
- 48 Levy limits for taxes levied in 2013.** Establishes a levy limit for taxes payable in 2014 only for all counties over 5,000 population and all cities over 2,500 population. The levy limit base is the certified levy plus the certified county program aid (CPA) or local government aid (LGA) for taxes payable in 2012 or 2013, whichever is greater, increased by 3 percent. The levy limit is the levy limit base minus the certified CPA or LGA for 2014. In no case may the levy limit be less than the certified levy for taxes payable in 2012 or 2013, whichever is greater.
- 49 Appropriation; city of Moose Lake.** Provides for a \$2,000,000 appropriation in fiscal year 2014 to the commissioner of revenue for a grant to the city of Moose Lake for reimbursement for payments related to connection of state facilities to a sewer line.



**Section**

**Article 5: Special Taxes**

**Overview**

This article makes changes in various special taxes. It:

- Modifies and increases tobacco taxes. It taxes “little cigars” as cigarettes, rather than under the other tobacco products tax, as provided by present law. The tax rate on cigarettes is also increased to 14.5 cents/cigarette on cigarettes weighing less than three pounds per thousand, and 28.3 cents/cigarette on cigarettes weighing more than three pounds per thousand. (That is an increase of \$1.60/pack of 20 cigarettes.) A minimum tax is imposed on moist snuff products equal to the excise tax on a pack of 20 cigarettes. Premium cigars are defined, and the tax is capped at either 70% of the wholesale cost or \$3.50 per cigar, whichever is less.
- The health impact fee and fund are repealed (offset by increases in the regular excise taxes). The article also indexes the cigarette excise tax rate to changes in sales prices.
- Expands the definition of “small brewer” to allow a person brewing up to 250,000 barrels per year to qualify for the small brewer tax credit.
- Makes changes to the taxes imposed on jet fuels as well as aircraft in lieu taxes. Directs that some of the revenues raised under these provisions are deposited into the state airports fund.
- Adjusts registration requirements for 501(c)(3) organizations conducting raffles.

- 1 Health impact fee.** Deletes reference to health impact fee which is repealed in section 28 of the bill. This section is effective July 1, 2013.
- 2 Jet fuel and special fuel tax.** Changes the tax rate on jet fuels and special fuels to 15 cents per gallon. This section is effective on July 1, 2014 and applied to sales and purchases made on or after that date.
- 3 Refund.** Expands the graduated refund on aviation gasoline provided in chapter 296 to include the airflight property tax under section 2970.72. This section is effective on July 1, 2014 and applied to sales and purchases made on or after that date.
- 4 Exemptions.** Exempts from the taxes imposed under chapter 297A the sale or purchase of equipment and parts necessary for repair and maintenance of aircraft as well as equipment or parts used to upgrade and improve aircraft. To qualify for this exemption, the aircraft must be operated under Federal Aviation Regulations, parts 91 and 135. This section is effective for sales and purchases made after June 30, 2013.
- 5 Deposit in state airports fund.** Directs that any tax collected from the sale or purchase of an aircraft taxable under chapter 297A is to be deposited in the state airports fund as

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established in section 360.017. These funds were previously deposited in the state general fund. This section is effective on July 1, 2014 and applied to sales and purchases made on or after that date.

- 6 **Cigarette definition.** Modifies the definition of “cigarette” to include “little cigars.” This will result in this product being taxed as a cigarette, as opposed to an “other tobacco product.” This definition is significantly similar to the federal definition of “cigarette.”
- 7 **Moist snuff.** Adds a definition for “moist snuff” products. Under section 12, a per-container minimum tax applies to moist snuff products.
- 8 **Premium Cigar.** Provides a definition of premium cigars. A cigar is a “premium cigar” if it is hand-rolled or hand-constructed, uses a whole leaf tobacco wrapper, and uses only tobacco for filler and binder, except that it may use adhesives or other materials to maintain shape, texture, and taste.
- 9 **Other tobacco products.** Removes “little cigars” from the definition of other tobacco products, because under the language of the bill, “little cigars” would be taxed under the same rate as other cigarettes. Also adds a cross reference to premium cigars and provides that those will be taxed at the rates established in sections 13 and 15.
- 10 **Cigarette tax rate.** Increases the excise tax on cigarettes from 24 mills to 141.5 mills per unit for cigarettes weighing not more than three pounds per thousand, and from 48 mills to 283 mills for cigarettes weighing more than three pounds per thousand. This is a per unit tax rate. The rate of tax per cigarette is 14.15 cents on the former and 28.3 cents on the latter. With the repeal in section 28 of the health impact fee, this results in an increase in the total excise tax/fee burden by \$1.60/pack of 20 cigarettes from \$1.23 to \$2.83 per pack.
- 11 **Annual indexing.** Requires the commissioner of revenue to adjust the tax rates on cigarettes and other tobacco products annually. This rate adjustment will be based on the change in the average price of cigarettes sold in Minnesota, the same basis used to annually set the in-lieu sales tax on cigarettes. Any increase in state or federal excise taxes will not be included in this calculation, and the rate is rounded to the nearest mill.
- 12 **Other tobacco products tax rates.** Increases the tax imposed on other tobacco products from 35 percent to 95 percent of the wholesale sales price of the product. (The health impact fee, which is repealed by section 28, makes the current total tax/fee rate on other tobacco products 70 percent, so the net increase is from 70 percent to 95 percent.) A minimum tax on individual containers of moist snuff is imposed equal to the tax on a pack of 20 cigarettes. This minimum rate would apply to the sale of any product if 95 percent of the wholesale price of that product is less than the minimum tax. For purposes of this section, if more than one container of snuff is packaged together, the tax is applied to each individual container in the packaging. The tax rate is effective July 1, 2013, while the minimum tax rate on moist snuff is effective January 1, 2014.
- 13 **Rates; Premium cigars.** Sets the tax imposed on premium cigars at the less of 95% of the wholesale sales price or \$3.50 per cigar. This tax is imposed at the time the distributor introduces the cigar to the state, makes the cigar in this state, or ships the cigar to a retailer in

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this state.

- 14 Tobacco use tax.** Raises the use tax on tobacco products from 35 percent to 95 percent of the cost to the consumer, or the minimum tax as outlined above. Provides cross reference to relevant rates imposed on premium cigars.
- 15 Use tax for premium cigars.** Provides that the use tax on premium cigars is the same as in section 13. The tax imposed is the lesser of 95% of the wholesale sales price or \$3.50 per cigar.
- 16 Nonsettlement fee.** Increases the rate of the fee on cigarettes sold by manufacturers who are not required to pay a fee in connection with a legal settlement from 1.75 cents per cigarette to 2.5 cents per cigarette.
- 17 Cigarette sales tax.** Provides the rate of the tax that is in lieu of the sales tax on cigarettes will be calculated using both the regular sales tax rate and the additional legacy rate (equal to 3/8 of one percent). Under present law, only the regular sales tax rate is used in the calculation.
- 18 Small brewer tax credit.** The small brewers credit parameters are increased, so that the credit applies to the first 25,000 and the maximum amount of annual production that is allowed a qualified brewer is increased from 100,000 barrels/year to 250,000 barrels/year. The credit is not refundable, and it cannot exceed the greater of a brewers tax liability or \$115,000 per year. This credit applies to either strong beer or beer containing not more than 3.2 percent alcohol.
- 19 Cigarette definition.** Changes the definition of cigarette in the unfair cigarette sales act, which establishes minimum pricing rules for cigarette sales, to include “little cigars,” consistent with the changes made in section 6.
- 20 Definitions.** Adds a cross reference to commerce statutes regarding premium cigars.
- 21 Lawful gambling.** Expands the ability for organizations to conduct raffle drawings without registering with the Minnesota Gambling Control Board. Under current law, an organization does not need to register if the organization does not award more than \$1,500 in prizes annually. Under the bill, the registration exclusion is expanded to allow a 501(c)(3) to conduct a raffle without registering if the organization does not award more than \$5,000 at an event in the calendar year.
- 22 In lieu tax.** Adjusts the in lieu rate applicable to aircraft using Minnesota airspace or airports. The rate is changed from one percent of value to a graduated schedule. The base price calculation is also adjusted, and depreciation is removed from the calculation.
- 23 State airports fund.** Changes cross references to correlate with changes in other sections of the bill.
- 24 Report.** Requires that the commissioner of transportation, on June 30, 2016, and every four years thereafter, must prepare and submit a report that identifies the amount and sources of

## Section

annual revenues attributable to each type of aviation tax, along with annual expenditures from the state airports fund.

- 25 Floor stocks tax.** Imposes a floor stock tax on cigarettes, so that the increase in the tax under section 10 will also apply to cigarettes in the inventory of retailers and wholesalers. (This prevents “stocking up” to avoid the tax increase temporarily.) This tax would be imposed on both the stamped cigarettes and unaffixed stamps in the person’s possession at 12:01 a.m., July 1, 2013. The rate of the tax imposed is 80 mills per cigarette plus the additional cigarette sales tax determined by an adjustment to the weighted average retail price which reflects the price including the increased tax. This section also gives the commissioner of revenue authority to conduct an audit to enforce this tax, as well as the ability to levy penalties. \$26,500,000 of the revenues from this tax must be deposited into the general reserve account established under section 297E.021, subdivision 4. Any remaining funds are deposited into the general fund.
- 26 Interim sales tax.** Requires the commissioner to adjust the weighted average retail price of cigarettes on July 1, 2013, which will be used to calculate the tax rate imposed until December 31, 2013. This, in effect, will immediately incorporate the likely price effects of the excise and health impact fee changes made by the bill in the in-lieu sales tax rate. On January 1, 2014, the commissioner will resume annual adjustments to the weighted average retail price, occurring on January 1 of each calendar year.
- 27 Tobacco tax collection report.** Requires the commissioner of revenue to report to the 2014 legislature on the tobacco tax collection system, including recommendations to improve compliance of all tobacco tax programs. This report will be due by January February 15, 2014.
- 28 Repealer.** Repeals
- ▶ the health impact fund.
  - ▶ the health impact fee on cigarettes and tobacco products and health impact fund. The only moneys deposited in the fund are the revenues from the health impact fee. These revenues are transferred to the general fund after the certification of the amount of state health care costs.

## Section

### **Article 6: Individual Income and Corporate Franchise Taxes**

#### **Overview**

Imposes a 9.85 percent individual income tax rate at \$250,000 of taxable income for married joint filers (\$150,000 for single filers, and \$200,000 for heads of household), and increases the alternative minimum tax rate to 6.75 percent.

Makes the following changes to the corporate tax:

- Repeals the special rules for foreign operating corporations (FOCs)
- Repeals the exclusion for foreign royalties
- Treats foreign entities, taxed under federal law as partnerships or disregarded entities, as domestic entities
- Excludes real estate investment trust (REIT) dividends from the dividend received deduction
- Increases the corporate franchise tax minimum fee for inflation since it was enacted in 1990 and indexes it for future inflation

Applies to increased federal bonus depreciation and section 179 expensing allowed for tax year 2013 the current law requirement that taxpayers add to taxable income 80 percent of the additional depreciation amount in the first tax year, and then subtract one-fifth of the amount added back in each of the five following tax years.

Makes the research credit nonrefundable for both individuals and corporations, and allows the credit against the regular tax of all members of the unitary group.

Makes technical changes to the angel investment credit.

Extends the sunset of the historic structure credit, increases the fee the State Historic Preservation Office may collect from developers to offset administrative costs, makes a retroactive change to the effective date, and makes various technical changes to the historic credit.

Authorizes a new refundable Greater Minnesota internship credit program administered by the Office of Higher Education (OHE). The maximum tax credit is set at \$2,000 per intern, and total tax credits authorized are \$2 million per year.

Repeals the credit for individual nonresidents' payment of taxes to their state of domicile.

- 1 Angel credit; definitions.** Provides a new definition of "liquidation event" as a conversion of a qualified investment to cash, cash and other considerations, or any other form of debt or equity interest.

**Effective date:** Effective for businesses certified after June 30, 2013.

## Section

**2 Angel credit; qualified small business.** Modifies the requirements that a small business must satisfy to qualify under the angel investment credit:

- Extends the number of years in which a business may have been in operation from ten to 20 for businesses engaged in researching, developing, or producing drugs or medical devices that require U.S. Food and Drug Administration approval
- Prohibits the business from having its securities trade on a public stock exchange before the investment is made and within 180 days after the investment is made
- Prohibits the business from having a liquidation event, defined in section 1, within 180 days of the date the investment qualifying for the credit was made

**Effective date:** The change related to businesses engaged in developing drugs or medical devices that require FDA approval is effective the day following final enactment; the other changes are effective for businesses certified after June 30, 2013.

**3 Angel credit, permitted disclosure.** Modifies the exemption from the Government Data Practices Act for disclosure of information on businesses that receive investments qualifying for the angel credit. Under present law, only the name of the qualified business may be disclosed. This section allows the mailing address, telephone number, e-mail address, contact person's name, and industry type to also be disclosed.

**Effective date:** Effective the day following final enactment.

**4 Greater Minnesota internship program.**

**Subd. 1. Definitions.** Defines "eligible employer," "eligible institution," "eligible student," and "greater Minnesota" for this program. "Greater Minnesota" excludes the seven metro counties and also Chisago, Isanti, Sherburne, and Wright counties.

**Subd. 2. Program established.** Requires the Office of Higher Education to administer an internship program through public and private nonprofit institutions that provide tax credits to employers who hire interns under the program.

**Subd. 3. Program components.** Requires students to be admitted to a major closely related to the intern experience. Requires institutions to have written agreements with employers for 12-week or more internships, paying at least minimum wage for a minimum of 16 hours per week and to provide academic credit for the internship. Requires employers to enter into written agreements with the institution agreeing to the terms of the internship and stating that the intern would not have been hired without the credit and does not replace existing employees. The agreements must certify a credit amount to the employer. Requires annual reports to OHE from institutions and employers. Excludes clinical internships (those required to complete an academic program) from the program.

**Subd. 4. Allocations to institutions.** Requires OHE to allocate tax credits and administrative fees to institutions based on relevant criteria, including geographic distribution of work locations. OHE must allocate credits to institutions that meet the

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criteria on a first-come, first-served basis. Limits total credits per year to \$2 million.

**Subd. 5. Reports to the legislature.** Requires OHE and DOR to submit two reports to the legislature on the program. The February 1, 2014 report must have cost and participation information. The February 1, 2015 report must have an effectiveness analysis.

**Effective date:** Tax year 2013.

- 5 Foreign operating corporations (FOCs).** Eliminates a reference (in the tax administration chapter) to FOCs, which are repealed by the bill.
- 6 Federal definition of taxable income.** Recognizes the federal extension of bonus depreciation and section 179 expensing in the American Taxpayer Relief Act of 2012, Public Law 112-240. Minnesota would not conform to the extension of bonus depreciation and section 179 expensing but would retain its current law requirement that taxpayers add to taxable income 80 percent of the additional depreciation amount in the first tax year, and then subtract one-fifth of the amount added back in each of the five following tax years.

- 7 Subtractions from federal taxable income (FTI) for individuals.** Provides a subtraction for railroad maintenance expenses by short line railroads that are disallowed as a deduction from FTI due to claiming the federal credit for railroad maintenance expenses. Also updates cross references to conform to other changes in the bill.

**Effective date:** Tax year 2013.

- 8 Additions to FTI for corporations.** Repeals the corporate franchise tax additions to federal taxable income for FOCs' deemed dividends. Section 28 repeals the preferential treatment of FOCs. This provision eliminates the corresponding addition to income for the deemed dividends that are not derived from foreign source income.

Eliminates obsolete language related to foreign sales corporations, federal subsidies for prescription drug benefits, income excluded under section 114 of the Internal Revenue Code, and the additional deduction amount for business donations of computers.

**Effective date:** Tax year 2013.

- 9 Subtractions from FTI for corporations.** Repeals the subtraction from federal taxable income for foreign royalties. Provides a subtraction for railroad maintenance expenses by short line railroads that are disallowed as a deduction from FTI due to claiming the federal credit for railroad maintenance expenses. Eliminates an obsolete subtraction for foreign sales corporations and updates cross references to conform to other changes in the bill.

**Effective date:** Tax year 2013.

- 10 Individual income tax rates.** Imposes a new fourth rate of 9.85 percent. The 9.85 percent rate applies at the taxable income levels shown.

**Filing Status** **Minnesota Taxable Income**

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**Section**

Married joint	Over \$250,000
Married separate	Over \$125,000
Single	Over \$150,200
Head of household	Over \$200,000

Updates the income thresholds for the 7.05 percent and 7.85 percent rates to the levels in effect under current law for tax year 2013. The income thresholds are adjusted annually for inflation under present law, as provided in 290.06, subdivision 2d. Because the inflation adjustment is controlled by a different section of statute, the thresholds that appear in this section of statute reflect the levels in effect the last time the income tax rates were modified, which was in 2000.

**Effective date:** Tax year 2013.

**11 Inflation adjustment of brackets.** Resets the base year for adjusting the income tax brackets for inflation to 2013, using as the starting point the current law brackets adjusted to 2013, and the new fourth tier bracket amounts provided in section 10.

**12 Greater Minnesota internship credit.** Establishes a new refundable business tax credit for employers participating in the internship program in section 4. The credit equals 40 percent of the intern's compensation, up to \$2,000 per intern. Provides an open appropriation for refunds required under this section (the total amount of credits per year is limited to \$2 million under the limit on allocations in section 4). Appropriates an amount equal to one percent of the total authorized credits for the year to the commissioner of revenue for transfer to OHE for administrative expenses of the program.

**Effective date:** Tax year 2013.

**13 Military retirement credit.** Expands the eligibility criteria for the tax credit for past military service to include any veteran who receives a pension or retirement pay for service in the military. Current law limits the credit to individuals who receive retirement pay and have either served 20 years or separated from the military due to a disability. The change would extend the credit to individuals who were honorably discharged with retirement pay after serving fewer than 20 years, which was the case with individuals discharged due to military downsizing during the 1990s.

**Effective date:** Tax year 2013.

**14 Research credit carryover.** Restores the 15-year carryover of research credit amounts in excess of liability to conform with the elimination of the refundability of the credit in section 15.

**Effective date:** Tax year 2013.

**15 Research credit.** Makes the research credit nonrefundable, but section 14 allows it to be claimed against the regular tax of all members of a unitary group (the credit is not allowed



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against the corporate alternative minimum tax or the minimum fee). Section 14 restores the 15-year carryover of credit amounts in excess of liability.

**Background.** The credit applies principally to amounts expended for wages for qualifying research activities that exceed a base amount. When the research credit was first enacted in 1982, it applied to both corporate franchise and individual income tax liability. In 1987, as part of the elimination of several credits, the research credit was restricted to the corporate franchise tax. The 2010 jobs bill extended the research credit to the individual income tax, allowing it to be claimed by owners of pass-through entities, and made it refundable for both individual and corporate claimants. The federal research credit, on which the Minnesota credit is based, is available to both corporate and individual taxpayers, and is nonrefundable.

**Effective date:** Tax year 2013.

- 16** **Definitions; historic structure rehabilitation credit.** Adds a definition of the term “federal credit” to mean the federal historic structure rehabilitation credit, and of the terms “placed in service” and “qualified rehabilitation expenditures,” to have the meanings given in the Internal Revenue Code for the federal credit.

**Effective date:** Effective the day following final enactment.

- 17** **Applications; historic credit.** Authorizes the State Historic Preservation Office (SHPO) of the Minnesota Historical Society to collect up to 0.5 percent of estimated qualified rehabilitation expenditures, up to a maximum of \$40,000, as an application fee for a project. Present law limits the application fee, which is used to offset the costs of administering the credit and preparing reports, to \$5,000.

Requires the SHPO to notify the developer in writing if a project is eligible for a credit. Present law requires SHPO to determine eligibility but does not require notification.

Allows determinations of the SHPO regarding project eligibility for the historic credit to be appealed through a contested case procedure under chapter 14, within 45 days of the written notification.

**Effective date:** Effective the day following final enactment, except the fee increase applies to applications first received on or after the day following final enactment.

- 18** **Assignment of credit certificates and grants; historic credit.** Allows grant agreements to provide for grants to be issued to an individual or entity other than the developer. Present law does not provide for grants to be assigned. Requires entities that are assigned a credit certificate to notify the commissioner within 30 days of being assigned a credit, in a form and manner prescribed by the commissioner. Clarifies that the pass-through of credits to owners of a pass-through entity are not considered credit assignments.

**Effective date:** Effective the day following final enactment.

- 19** **Partnerships; multiple owners; historic credit.** Allows entities with multiple owners to allocate the credit among owners based on the allocation in any “executed agreement.”

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Current law allows allocation of the credit either based on the ownership of the entity's assets, or as specified in the entity's organizational documents.

**Effective date:** Effective the day following final enactment.

**20 Sunset; historic credit.** Extends the availability of the historic structure rehabilitation credit by five years, through fiscal year 2022 (June 30, 2021) and extends the State Historic Preservation Office's authority to issue credit certificates based on allocation certificates issued before fiscal year 2023 (June 30, 2022) through calendar year 2025. Extends the annual reporting requirement through the earlier of 2026, or the year following the year in which all allocation certificates have been canceled or resulted in issuance of credit certificates. Effective the day following final enactment.

**21 Alternative minimum tax (AMT) rate.** Increases the AMT rate from 6.4 percent to 6.75 percent.

**22 Alternative minimum tax; individuals.** Makes a conforming change in the definition of "tentative minimum tax" to reflect the change in the AMT rate in section 21.

**Effective date:** Tax year 2013.

**23 Alternative minimum tax credit.** Makes a conforming change in the AMT credit to reflect the change in the AMT rate.

**24 AMT; corporations.** Strikes a reference to the foreign royalties subtraction, which is repealed in section 9. Also strikes a reference to the expired federal Puerto Rico and possessions tax credit and makes conforming changes to cross references in the corporate AMT to reflect the changes to corporate additions and subtractions in sections 8 and 9.

**25 Franchise tax minimum fee.** Increases the corporate minimum fee amounts and thresholds at which the fee amounts apply and adjusts the dollar amounts for future increases in the Consumer Price Index (CPI). The lowest fee under present law of \$100 is increased to \$190; the highest fee under present law of \$5,000 increases to \$9,340. The thresholds at which these fees apply increase from \$500,000 (for the \$100 fee) to \$930,000 and from \$20 million (for the \$5,000 fee) to \$37.36 million. These amounts are based on adjusting these amounts for inflation, as measured by the CPI, from the year in which the original fee amounts were set (1990).

**Effective date:** Tax year 2013.

**26 Net operating loss; definition.** Strikes a reference to the foreign royalty subtraction, which is repealed in section 9,

**27 Nondeductible items.** Strikes a reference to the foreign royalty subtraction, which is repealed in section 9,

**28 Unitary business principle.** Eliminates the authority to exclude the income and apportionment factors of FOCs from the combined report and eliminates the deemed dividend

## Section

deduction for 80 percent of FOC income.

In addition, Minnesota sales of no-nexus subsidiaries (other than foreign corporations) must be reflected in the combined report and be reported by a corporation that is subject to tax by Minnesota.

Also clarifies that unity of ownership does not exist when two or more corporations are involved unless there is, directly or indirectly, a common owner of more than 50 percent of the business.

**Effective date:** Tax year 2013.

**29 Sales factor.** Strikes a reference to the foreign royalty subtraction, which is repealed in section 9,

**30 REIT dividends.** Excludes real estate investment trust (REIT) dividends from the dividend received deduction allowed to corporations to the extent that the REIT dividends do not qualify for the dividend received deduction under the federal corporate tax.

**Effective date:** Tax year 2013.

**31 Taxable income; occupation tax.** Updates a reference in the statute allowing deductions from taxable income under the occupation tax to reflect the renumbering of corporate additions to income in section 9.

**32 Historic structure rehabilitation credit; effective date.** Clarifies the effective date of the credit to make the credit effective for rehabilitation expenditures first paid by the developer or taxpayer after May 1, 2010, and for rehabilitation that occurs after May 1, 2010, provided that the application submitted for credit eligibility is submitted before the project is placed in service. Effective the day following final enactment and applies retroactively for certified historic structures placed in service after May 1, 2010, but no credit certificates allowed under the change to this effective date clarification may be issued until July 1, 2013.

**33 Estimated tax; penalty exemption (safe harbor).** Exempts from penalties and interest the underpayment of estimated tax before September 15, 2013, resulting from the 9.85 percent income tax rate in section 10.

**34 Repealer.** Repeals the following provisions, effective in tax year 2013.

<b>Section of Statute</b>	<b>Description</b>
290.01 subd. 6b	Definition of FOC
290.06, subd. 22a	Nonresidents' credit for taxes paid to state of domicile
290.0921, subd. 7	Definition of FOC for the corporate AMT

## Section

### Article 7: Estate and Gift Taxes

## Overview

This article:

- Imposes a gift tax to complement or back up the Minnesota estate tax.
- Adds taxable gifts made within three years of the decedents death to the taxable estate.
- Modifies the nexus rules under the estate tax for nonresident individuals who own pass-through entities with Minnesota real estate or tangible personal property.
- Makes clarifying changes to the estate tax exclusion for qualifying small business and farm property, enacted by the 2011 Legislature.

- 1 Data practices.** Adds the gift tax chapter to the list of tax types covered by the data practice act that covers tax data. This is consistent with sections 11 to 16, which impose a new gift tax.
- 2 Disclosure of gift tax return data.** Provides that gift tax return data may be disclosed to the donor or, if the donor has died, the personal representative of the estate.
- 3 Estate tax filing requirements.** Modifies the filing requirements for the estate tax to provide that taxable gifts (those in excess of the annual per-recipient, federal exclusion amount) made within three years of decedent's death must be added to the value of the estate to determine if the estate exceeds the \$1 million filing requirement.

**Effective date:** Decedents dying after December 31, 2012.

- 4 Estate tax definitions.** Makes three changes.

*Federal update.* Updates the estate tax for federal changes enacted through January 3, 2013, and includes the amount of taxable gifts made by the decedent within three years of death in the taxable estate. Under federal law, taxable gifts are defined as gifts of present interests that exceed the annual exclusion amount (\$14,000 per recipient) or gifts of future interests of any value.

*Situs rules for gifts.* Provides situs rules for gifts: gifts of tangible personal property would be assigned to the place where property is normally kept or located and gifts of intangible property (e.g., cash, stocks, or other securities) would be assigned to the domicile of the donor.

*Situs rules for certain nonresidents.* Provides special situs rules under the estate tax for nonresidents who have ownership interests in pass-through entities that own real or tangible personal property in Minnesota. Pass-through entities are defined as:

## Section

- S corporations
- Partnerships
- Disregarded single-member LLCs
- Trusts to the extent the trust property is included in decedent's estate

Under present law, ownership interests in these entities are treated as intangibles and would be assigned to the decedent's state of residence and, thus, would not be included in the Minnesota estate. This change assigns the situs of the real and tangible personal property as if the pass-through entity did not exist. Thus, it will include the Minnesota real and tangible personal property owned by the pass-through entity in the Minnesota estate of the decedent. If there are multiple owners of the entity, the property is assigned to the decedent based on his or her share of the capital interest in the entity.

**Effective date:** Decedents dying after December 31, 2012.

- 5** **Conforming change.** Provides that any gift tax paid on gifts included in the adjusted taxable estate and the credit allowed under section 6 reduces the estate tax due.

**Effective date:** Decedents dying after December 31, 2012.

- 6** **Nonresident decedent tax credit.** Allows a tax credit against the Minnesota estate tax for estate or inheritance tax paid to another state on property held in pass-through entities, as provided under section 4. The credit cannot exceed the Minnesota estate tax attributable to that property.

**Effective date:** Estates of decedents dying after December 31, 2012.

- 7** **Family member definition.** Clarifies that a trust whose beneficiaries are all family members qualifies as a family member for purposes of the qualified small business property and qualified farm property exclusion.

- 8** **Qualified small business property definition.** Modifies the qualified small business property definition for purposes of the exclusion to:

- Clarify that property held in trusts qualify for the exclusion (as property of the decedent), if they are included in the federal adjusted taxable estate;
- Clarify how the passive activity test applies to the tax year prior to the decedent's death;
- Exclude publicly traded securities and assets not used in the operation of the trade or business from qualifying for the exemption (paralleling the treatment of cash);
- Treat replacement property of sole proprietors as meeting the three-year ownership test prior to decedent's death if it replaced similar property;
- Exclude qualified farm property from qualifying for the exclusion; nonhomestead farm property, as well as equipment, can qualify; and

## Section

- Eliminates the requirement that a family member materially participate in the trade or business of the farm for three years after the decedent's death and substitutes a test based on the federal passive activity rules.

**9**     **Qualified farm property definition.** Modifies the definition of qualified farm property for purposes of the exclusion to:

- Clarify that the property must be agricultural land and owned by a person or entity that is not excluded from owning agricultural land by section 500.24. The property must be the agricultural homestead of the decedent, including qualifying under the relative homestead and special homestead rules;
- Remove the requirement that for three years after decedent's death a family member must continuously use the property in the operation of the trade or business;
- Require that for three years after decedent's death the property must be classified for property tax purposes as class 2a agricultural property, rather than that family material participate in the trade or business; and
- Clarify that property held in trusts qualifies for the exclusion (as property of the decedent), if it is included in the federal adjusted taxable estate.

**10**     **Recapture tax.** Clarifies that for sole proprietor property, the qualified heir will not be treated as having disposed of an interest in the qualified property if the heir replaces qualified small business property with similar property.

**11**     **Definitions; gift tax.** Defines terms for purposes of the gift tax:

- Terms defined in the estate tax chapter apply to the gift tax.
- Taxable gifts are defined by reference to the federal gift tax. As a result, gifts below the annual exemption amount (for calendar year 2013, \$14,000 per recipient, indexed for inflation) are excluded. Gifts to charities and spouses would not be taxable, as under the federal gift tax.

**12**     **Gift tax imposition.** Imposes a ten percent tax on taxable gifts. A lifetime credit of \$100,000 is allowed (the equivalent of a \$1 million exemption). The tax does not apply to transfers of tangible personal property or real property with a situs outside of Minnesota.

**13**     **Gift tax returns.** Requires an individual making a taxable gift during the taxable year to file a gift tax return in the form and manner prescribed by the commissioner. If the donor dies before filing, the personal representative must file the return. The return is to include the following:

- Each gift
- The deductions claimed
- Description of the gift, the donee's name, address, and Social Security number
- Fair market value of noncash gifts

**Section**

- Any other information the commissioner requires

- 14 Filing requirements.** Requires returns to be filed by April 15 after the close of the calendar year in which the gift was made. If the donor dies, the due date is the time for filing the federal gift tax return.
- 15 Appraisal of property.** Authorizes the commissioner to require the donor or donee to show the property subject to tax and to hire suitable persons to appraise the property. The donor is required to provide a statement that the return reflects all of the taxable gifts for the year.
- 16 Administrative provisions.** Imposes a payment date of April 15 following the calendar year in which the gift was made. If the donor dies, the time for payment of the federal gift tax applies. A ten-percent penalty (or \$100, if greater) applies to late payments. The commissioner can extend the time for filing upon written request, filing of a tentative return, and a showing of good cause. However, tentative tax must be paid with interest (if applicable).

The taxpayer must notify the commissioner of federal changes in the value of taxable gifts within 180 days of a final determination. If a federal amended gift tax return is filed, the taxpayer must file an amended Minnesota return within 180 days.

Various special federal valuation rules apply, such as those for transfers of interests in closely held corporations and trusts.

**Section**

**Article 8: Sales and Use Tax; Local Sales Taxes**

**Overview**

Increases the motor vehicle rental tax from 6.2 percent to 9.2 percent.

Expands the sales tax base to include the following:

- Certain digital products,
- business related warehousing and storage,
- business related electronic and precision equipment repair,
- commercial and industrial machinery and equipment repair, and
- telecommunications capital equipment.

Provides a sales tax exemption for county and city purchases.

Makes the refundable sales tax on capital equipment an upfront exemption. Defines “solicitor” for purposes of determining sales tax nexus.

Provides a method for calculating the taxable paint and repair materials portion of a motor vehicle repair bill.

Reinstates the lodging and food exemption for St. John’s Abbey.

Provides sales tax exemptions for construction materials used in an industrial measurement manufacturing and controls facility, a biopharmaceutical manufacturing facility, a research and development facility, and

Modifies existing sales tax provisions in the following cities:

- Clearwater
- Central cities (St. Cloud area)
- Marshall
- Proctor
- St. Paul
- Rochester

- 1** **Qualified expansions of greater Minnesota businesses.** Provides a definition and method of certification for businesses in Greater Minnesota that qualify for a sales tax exemption under section 28.

“Qualified business” is defined as a business that:

- has operated in greater Minnesota for at least one year before applying for



## Section

certification;

- pays or agrees to pay its employees compensation of at least 120 percent of the federal poverty line for a family four not including benefits mandated by law;
- plans and agrees to expand its employment in greater Minnesota by a minimum number of employees; and
- receives qualification from the commissioner of DEED as a qualified business.

Public utilities and retail employers that are primarily engaged in selling to purchasers physically present at the business's location are ineligible.

A business must apply to the commissioner of DEED in a form and manner prescribed by the commissioner for certification as a qualified business. A copy of the application must also be filed with the chief clerical officer of the city, or the county auditor if located outside a city. The commissioner must determine that the business would not expand its operations in greater Minnesota without the sales tax exemption and the business enters into a business subsidy agreement with the commissioner that it will satisfy minimum expansion requirements within three years of execution of the agreement. The city or county in which a business or agricultural processing facility proposes to expand may file support or opposition to the certification with the commissioner. Certification is valid for 12 years beginning the first day of the calendar month following execution of the business subsidy agreement.

The minimum expansion requirements for the number of employees in greater Minnesota at the time of execution of the agreement are:

- 50 or fewer FTEs – must increase by five or more FTEs;
- 51-199 FTEs – must increase FTEs by at least ten percent; and
- 200 or more FTEs – must increase by at least 21 FTEs.

The certified businesses must meet the minimum expansion requirements within three years of entering the business subsidy agreement and continue to satisfy the requirements for the duration of the certification period. A business would cease to be a qualified business at the end of its certification period or the date the commissioner finds that the business failed to meet its minimum expansion requirements. The commissioner may waive a breach of the certification agreement after consulting with the commissioner of Revenue if the breach is the result of natural disaster, unforeseen industry trends, an overall decline in the statewide or greater Minnesota economy, or the loss of a major supplier or customer.

## **2 Sale and purchase.** Expands the definition of sale for sales tax purposes to include:

- Certain digital products,
- business related warehousing and storage,
- business related electronic and precision equipment repair, and
- commercial and industrial machinery and equipment repair.

## Section

Also clarifies that services for monitoring and electronic surveillance of persons in in-home detention pursuant to a court order performed at the direction of a county are exempt. Replaces the terms “cable” television services and “direct satellite services” with the term “pay” television services.

Moves language regarding taxation of services provided by employees and between associated businesses, and the definition of road construction.

Effective for sales made after June 30, 2013, exempt that the tax on warehousing and storage is not effective until after March 31, 2014.

### **3** **Retail sale.** Makes the following changes to the definition of retail sale.

*Services.* Adds the sale, lease, or rental of tangible personal property or the sale of any service listed in section 297A.61, subdivision 3 for any purpose other than resale by the purchaser in the normal course of business.

*Motor vehicle repair paint.* Adds the sale of motor vehicle repair paint and materials to the definition of a taxable retail sale. Provides that the repair paint and supply portion of a bill can be calculated by multiplying the number of labor hours by an hourly consideration rate for the paint and materials. Allows the taxpayer to use another method to calculate the tax, provided that the method fairly reflects the gross receipts from the retail sale of the paint and materials. This provision does not apply to wholesale transactions at an automobile auction facility.

*Digital products.* Adds the sale of specified digital products or other digital products to an end user to the definition of “retail sale.”

*Certain payments to electric utilities and cooperatives.* Clarifies that a payment made as a contribution in aid of construction is a contract for improvement to real property and not a taxable sale.

Effective for sales, purchases, and leases entered after June 30, 2013.

### **4** **Tangible personal property.** Clarifies that the definition of “tangible personal property” does not include specified digital products or other digital products transferred electronically. Effective for sales and purchases made after June 30, 2013.

### **5** **Pay television service.** Replaces the term “cable television service” with “pay television service” and specifies that direct satellite service, subscription programming service, and digital video recording service are included in the definition of “pay television service.” The definition of “direct satellite service” is repealed later in the article. Effective for sales and purchases made after June 30, 2013.

### **6** **Bundled transaction.** Adds specified digital products and other digital products to the definition of “bundled transaction” for purposes of determining whether the sale of two or more products is taxable when the items are sold for one nonitemized price. Effective for sales and purchases made after June 30, 2013.

## Section

- 7**      **Ring tones.** Clarifies that a ring tone does not include digital audio files not stored on the communication device. Effective for sales and purchases made after June 30, 2013.
- 8**      **Motor vehicle repair paint and materials.** Defines repair paint and materials for sales tax purposes. “Motor vehicle repair paint” includes primer, body paint, clear coat, and paint thinner. “Repair materials” include items incorporated in the repair or directly consumed in the repair process. They do not include items used to clean and maintain the shop and shop equipment.
- 9**      **Digital audio works.** Defines “digital audio works” as works that result from a series of musical, spoken, or other sounds that are transferred electronically. Digital audio works include songs, live music, readings of books, speeches, ring tones, or other sound recordings. Effective for sales and purchases made after June 30, 2013.
- 10**     **Digital audiovisual works.** Defines “digital audio-visual works” as a series of related images which, when shown in succession, impart an impression of motion, together in accompanying sounds, if any, that are transferred electronically. Digital audio-visual works include movies, music videos, news and entertainment, and live events. Effective for sales and purchases made after June 30, 2013.
- 11**     **Digital books.** Defines “digital books” as any literary work, other than digital audio works or digital audio-visual works, expressed in words, numbers, or other verbal or numerical symbols generally recognized as a book. Digital books does not include periodicals, magazines, newspapers or other news or information products or blogs. Effective for sales and purchases made after June 30, 2013.
- 12**     **Digital code.** Defines “digital code” as a code providing a purchaser a right to obtain one or more specified digital products or other digital products, such as a code imprinted on another tangible medium. A digital code does not include a gift card or other product that represents a stored monetary value that is deducted from a total. Effective for sales and purchases made after June 30, 2013.
- 13**     **Other digital products.** Specifies “other digital products” as e-greeting cards and online video and computer gaming. Effective for sales and purchases made after June 30, 2013.
- 14**     **Specified digital products.** Defines specified digital products to mean digital audio works, digital audio-visual works, and digital books that are transferred electronically. Effective for sales and purchases made after June 30, 2013.
- 15**     **Transferred electronically.** Defines “transferred electronically” as obtained by the purchaser by means other than tangible storage media. Effective for sales and purchases made after June 30, 2013.
- 16**     **Self-storage services.** Defines “self-service storage” which is excluded from the definition of business related warehousing and storage that would now be taxable under section 2.
- 17**     **Motor vehicle rental tax; rate increase; exemption for nonprofit car-sharing organizations.** Increases the tax rate on car rentals from 6.2 percent to 9.2 percent. Effective

## Section

for sales and purchases made after May 31, 2013.

- 18 Retailer not maintaining place of business in this state.** Clarifies that a remote seller must collect and remit the state sales tax in accordance with any federal remote seller law. This will allow the state to impose the duty to collect the tax on remote sellers if the Federal Main Street Fairness Act passes and is enacted into law.
- 19 Solicitor nexus.** Provides a definition of “solicitor,” which includes residents in the state who directly or indirectly refer potential customers to a seller through an Internet Web site or similar link for a commission or other consideration. The presumption is that a retailer has nexus if the total receipts of sales to Minnesota customers generated by Internet referrals made through Web sites operated by Minnesota residents exceed \$10,000 in the last 12-month period. A rebuttal process to this presumption is provided.
- Retailers with a physical presence (nexus) in the state have a duty to collect sales tax under current law. Physical presence is currently defined as having property in this state or employees in this state, including “an affiliate, agent, salesperson, canvasser, or *solicitor* operating in the state.”
- 20 Presumption; burden of proof.** Allows a person engaged in drop shipping to claim an exemption for resale sales based on an exemption certificate provided by its customer or reseller. Effective for sales and purchases made after June 30, 2013.
- 21 Multiple points of use.** Allows a business purchaser to use a multiple-points-of-use exemption certificate when purchasing electronically delivered goods and services that are concurrently available for use in multiple taxing jurisdictions (i.e. multiuser software licenses). The seller is exempt from collecting the tax, but the purchaser is responsible for paying the tax in the multiple jurisdictions using a consistent and uniform method of apportioning the sale.
- The language is similar to language originally contained in the Streamlined Sales and Use Tax Agreement (SSUTA) and in Minnesota statute through 2008.
- Effective for sales and purchases made after June 30, 2013.
- 22 Drugs; medical devices.** Expands the health care product exemption by exempting all purchases covered by Medicare and Medicaid and expanding the definition of durable medical equipment to include single-patient use repair and replacement parts.
- Most health care items covered by Medicare and Medicaid are already exempt; the majority of the expansion is to durable medical equipment not purchased for home use. The changes to the definitions of exempt purchases are allowed under the Streamlined Sales and Use Tax (SSUTA) agreement.
- Effective for sales and purchases made after June 30, 2013.
- 23 Accessories and supplies.** Provides a sales tax exemption for accessories and supplies

## Section

required for the use of and prosthetic devices that are exempt under section 22.

Effective for sales and purchases made after June 30, 2013.

- 24 Textbooks.** Expands the sales tax exemption for textbooks required in higher education courses of study to digital books that are defined in section 11.
- 25 Materials consumed in industrial production.** Adds the word “tangible” to the sales tax exemption for materials stored, used, or consumed in industrial production of personal property to make clear that the exemption applies to industrial production of tangible personal property. Specifies that industrial production does not include services. Effective for sales and purchases made after June 30, 2013.
- 26 Capital equipment.** Eliminates the requirement that the sales tax on capital equipment purchases be paid at the time of purchase and refunded as provided in statute. Effective for sales and purchases made after August 31, 2014.
- 27 Qualified data centers.** Modifies the sales tax exemption for data centers by adding “refurbished data centers” and modifying the qualifications as follows:
- reduces the investment requirement from \$50 million in 24 month period to \$30 million in a 48 month period
  - reduces the minimum square footage requirement of the building housing the data center from 30,000 to 25,000 square feet
  - reduces the amount of space that must be “substantially refurbished” for building the data center from 30,000 square feet to 25,000 square feet.
  - defines “substantially refurbished” to retain the requirement of \$50 million in investment within 24 months
  - specifies that “computer software” included in calculating investment includes the maintenance, licensing, and customization of the software. Effective for sales and purchases made after June 30, 2013.
- 28 Sales tax exemption; greater Minnesota business expansions.** Provides an upfront sales tax exemption for purchases of tangible personal property and taxable services purchased by a qualified business if the exemption is provided for in the business subsidy agreement under section 1. The property or services must be primarily used or consumed in greater Minnesota and the purchase must have been made, and delivery received, during the certification period. Exempts the purchase and use of construction materials used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota if the improvements are used in the conduct of the trade or business of the qualified business. The exemption applies for state and local sales and taxes. The allocations to all qualifying businesses may not exceed \$7million in a fiscal year, but any qualifying claims not paid in one year roll over to the subsequent year. Unused amounts may be carried forward and used for refunds in future years. Effective for sales and purchases made after June 30, 2014.

## Section

- 29 Sales to local governments.** Adds cities and counties to the list of purchasers eligible for a sales tax exemption on qualifying purchases. Towns are already exempt under current law. This bill retains current law to not extend the exemption to goods or services purchased as inputs to goods and services generally provided by a private business, such as those provided by liquor stores, utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and laundromats. Goods and services generally provided by a private business do not include housing services, sewer and water services, wastewater treatment ambulance and other public safety services, correctional services, core or homemaking services provide to elderly or disabled individuals, or road and street maintenance or lighting. Effective for sales and purchases made after December 31, 2013.
- 30 Sales to nonprofits.** Provides a cross reference to the exemption in section 33.
- 31 Sales to veterans groups.** Extends the current sales tax exemption for qualifying sales of tangible personal property to qualifying sales of services to veterans groups. Effective for sales and purchases made after June 30, 2013.
- 32 Sales tax exemption; critical access dental providers.** Extends the current sales tax exemption for hospitals and outpatient surgical centers to critical access dental care providers, as defined under current law. Requires that the critical access dental center have no more than 15 percent of its patients covered by private dental insurance. The exemption does not extend to purchases of building and construction materials for buildings that will not be used principally by the critical access dental provider, and building materials purchased by a contractor as part of a lump sum contract. Effective retroactively for purchases made after June 30, 2007 and requires that all claims for refunds on taxes paid before July 1, 2013 be filed by June 30, 2014.
- 33 Established religious orders.** Excludes from the sales tax the sale of lodging and table food and beverages between an established religious order and an affiliated higher education institution. Defines both “established religious order” and “affiliated” for purposes of this subdivision. The effect is to reinstate the sales tax exemption St. John’s Abbey lost last year when St. John’s University underwent a governance restructuring in order to meet certain educational endorsement requirements. Retroactive to sales and purchases made after June 30, 2012.
- 34 Fundraising sales by nonprofit organizations.** Extends the current sales tax exemption for qualifying sales of tangible personal property to qualifying sales of services for fundraising sales by or for nonprofit groups. Effective for sales and purchases made after June 30, 2013.
- 35 Sales at fundraising events sponsored by nonprofit organizations.** Extends the current sales tax exemption for qualifying sales of tangible personal property to qualifying sales of services to fundraising events sponsored by nonprofit groups. Effective for sales and purchases made after June 30, 2013.
- 36 Nursing homes and boarding care homes.** Provides a sales tax exemption for most purchases by a nursing home or a boarding care facility. To qualify:

## Section

- the nursing home must be licensed by the state, and the boarding care home must be certified as a nursing facility under federal law;
- be an exempt 501(c)(3) entity; and
- either be certified to participate in the medical assistance program or certify to the commissioner of revenue that it does not discharge residents due to inability to pay.

The exemption does not apply to the following purchases:

- construction materials purchased as part of a lump sum contract or used in constructing facilities that will not be primarily used by the nursing home or boarding care facility
- lodging
- prepared food, soft drinks, candy, and alcoholic beverages
- leased vehicles, except those leased and used to transport residents and property of the facility

Effective for sales made after June 30, 2013.

**37 Biopharmaceutical manufacturing facility.** Provides a sales tax exemption for materials, supplies, and capital equipment incorporated into construction improvement or expansion of a biopharmaceutical manufacturing facility if the facility meets the following conditions:

- it manufactures biologics
- it makes a total capital investment of at least \$50 million
- the facility creates and maintains 190 new FTE employees in the state
- the Department of Employment and Economic Development determines that the project meets these requirements in each year in which a refund is requested

The exemption also applies to materials used in privately owned infrastructure needed to support the facility. The tax is owed at the time of purchase, and the owner of the facility may apply for a refund.

The refund is metered out so that 25 percent of the total allowable refund to date is paid annually.

Effective retroactively to investments entered into and jobs created after December 31, 2012, and before July 1, 2019.

**38 Sales tax exemption; research and development facility.** Exempts materials and supplies used or consumed in and equipment incorporated into the construction or improvement of a qualifying research and development facility that has laboratory space of at least 400,000 square feet and utilizes high and low-intensity laboratories and has a total construction cost of at least \$140 million in a 24-month period. Effective for sales and purchases made after June 30, 2013 and before September 1, 2015.

**39 Industrial measurement manufacturing and controls facility.** Provides a sales tax exemption for materials, supplies, capital equipment, and fixtures in construction

## Section

improvement or expansion of an industrial measurement manufacturing and controls facility if the facility meets the following conditions:

- total capital investment of at least \$60 million
- employs 250 new FTE employees in the state
- the Department of Employment and Economic Development determines that the project has a significant impact on the state economy

The exemption also applies to materials used in privately owned infrastructure needed to support the facility. The tax is owed at the time of purchase and the owner of the facility may apply for a refund.

Effective for sales and purchases after June 30, 2013.

- 40 Tax collected.** Provides that the purchasers of construction materials and equipment granted an exemption under sections 37 to 39 may pay the tax and apply for a refund of sales taxes paid. Also eliminates a cross reference to the collection requirement in section 26, effective for sales and purchases made after June 30, 2013.
- 41 Refund.** Provides that owners of the facilities granted an exemption on construction materials under sections 37 to 39 must apply for a refund of sales taxes paid. Also eliminates a reference to who can apply for a refund for the upfront tax payment eliminated in section 26, effective for sales and purchases made after June 30, 2013.
- 42 Application.** Provides that subcontractors and contractors must provide information to facility owner on taxes paid on construction materials exempt under sections 37 to 39 to allow the owners to apply for a refund. The owner of the biopharmaceutical manufacturing facility under section 37 may not apply for a refund until after June 30, 2016, and may only file one refund application per year. Also updates a cross reference related to the repeal of the capital equipment sales tax collection requirement, effective for sales and purchases made after June 30, 2013.
- 43 Local sales tax referenda; authorized expenditures.** Authorizes a political subdivision to expend funds to disseminate information included in a city council resolution adopting the imposition of a local sales tax; provide notice of and conduct forums for expression of public opinion on the referendum; and provide facts and data on the impact of a proposed sales tax and on the programs and projects that are proposed to be funded with the local sales tax. Effective the day following final enactment.
- 44 Use of revenues (St. Paul).** Allows the city of St. Paul to deposit into an economic development fund any portion of the 40 percent of its sales tax revenue dedicated to the St. Paul Civic Center Complex not needed for meeting civic center obligations.
- 45 Expiration of tax authority (St. Paul).** Extends the authority for the St. Paul local sales tax to December 31, 2042. Currently the tax would expire on December 31, 2030.
- 46 Rochester lodging tax.** Modifies the Rochester lodging tax as follows:

**Subd. 1a. Authorization.** Increases the allowed rate of the lodging tax imposed to



## Section

fund construction, renovation, improvement, and expansion of the Mayo Civic Center Complex from one percent to three percent.

**Subd. 2. Disposition of proceeds.** Adds design costs to the allowed uses for the lodging tax proceeds.

**Subd. 2a. Bonds.** Increases the authority to issue bonds for this project from \$43.5 million to \$50 million.

**Subd. 3. Expiration of taxing authority.** Removes the requirement that the tax in subdivision 1a expires when the proceeds are sufficient to pay the bonds in subdivision 2a; however, it allows the city to choose to repeal the tax anytime after that time.

- 47 Use of revenues (St. Cloud).** Modifies one of the existing allowed uses of the sales tax in the city of St. Cloud to limit funding to *regional* community and aquatic centers.
- 48 Termination of tax (central cities).** Allows each city to extend the tax in its community from 2018 to 2038, provided the extension is approved by the voters no later than November 7, 2017 at either a general election or a special election held on the first Tuesday after the First Monday of a November. The vote must still list the projects to be funded from the tax extension but the tax does not have to expire for one year before being re-imposed.
- 49 Use of revenues (Clearwater).** The bill provides a specific list of park and trail improvements that the city of Clearwater may fund with its local sales tax. The total amount of revenue that the city may raise from the sales tax remains the same as it was in the original 2008 authorizing legislation—\$12 million.
- 50 Use of food and beverage tax (Marshall).** Allows the city to use proceeds of this tax for construction of the Minnesota Emergency Response and Training Center and the Southwest Amateur Sports Center, as well as for their ongoing maintenance costs.
- 51 City of Marshall, validation of prior act.** Allows the city of Marshall until July 1, 2013, to file its approval of the special laws authorizing the food and beverage and lodging taxes originally enacted in 2010.
- 52 City of Proctor; validation of prior act.** Allows the city to approve the extended uses and additional bond authority authorized under 2008 and 2010 special law by passing a resolution and filing the approval with the secretary of state by January 1, 2014. The additional bonding authority in the 2010 law was already approved by the city voters.
- 53 Repealer.** Paragraph (a) repeals the definition of direct satellite service now included in the definition of paid television and repeals the exemption of the capital equipment exemption for the telecommunications industry; effective for sales and purchases made after June 30, 2013. Paragraph (b) repeals the Rochester local food and beverage tax authority authorized in 2009 but never imposed.

**Section**

**Article 9: Economic Development  
Overview**

This article includes:

- \$1.5 million allocation for border city enterprise zone tax reductions.
- The Mall of America (MOA) financing that uses the fiscal disparities taxes paid by properties located in the two tax increment financing (TIF) districts.
- An adjustment to the original net tax capacity for TIF districts that suffered large reductions in captured tax capacity as a result of enactment in 2011 of the homestead market value exclusion.
- Special TIF law provisions for the cities of Apple Valley, Bloomington, Ely, Glencoe, Maplewood, Oakdale, and St. Cloud, and the Dakota County Community Development Agency.
- A value capture district for the city of Minneapolis to fund a downtown streetcar line.
- Funding for the renovation or replacement of the Old Cedar Avenue Bridge in the city of Bloomington.

- 1 Public bidding requirement.** Modifies the Bloomington Port Authority's special law exception to the general law, competitive bidding requirements. Under present law, this exception is limited to structured parking constructed above, below, or adjacent to the development. The section expands the exemption to apply regardless of the source of port authority funds used (present law is limited to TIF and revenue bonds) and to extend it to other public improvements in addition to structured parking.
- 2 Border city funding.** Allocates \$1.5 million for border city enterprise zone and border city development zone tax reductions. This allocation is divided equally between the two programs (\$750,000 to each), but the city can reallocate the amounts between the two programs. The allocation is divided among the qualifying border cities on a per capita basis. The five cities that qualify are Moorhead, Dilworth, East Grand Forks, Breckenridge, and Ortonville.
- 3 Economic development districts.** Eliminates obsolete language related to the qualified retail facilities (the substantive definitions were repealed in 2010) and the temporary exemptions under the 2010 jobs bill.
- 4 General government use.** Eliminates the prohibition on using tax increments for improvements and equipment that either primarily serve a decorative or aesthetic purpose or have costs twice as high because of the selection of the types of materials or designs compared with more commonly used improvements or equipment.
- 5 Four-year rule.** Extends the temporary two-year extension of the four-year rule that applies to TIF districts certified between January 1, 2005, and April 20, 2009, through December 31,

## Section

2016.

- 6 Original local tax rate; general education levy.** Excludes the tax rate attributable to the new general education tax rate from the certified original tax rate. This will prevent the tax generated by applying this rate to the captured tax capacity from generating tax increment.
- 7 Adjustment to original net tax capacity.** Authorizes development authorities to elect to reduce the original net tax capacity of a TIF district for the effects of enactment of the homestead market value exclusion (HMVE). Reductions in original tax capacity have the effect of increasing captured tax capacity and the amount of tax increment for the district.

The election must be approved by the municipality (typically the city in which the TIF district is located or the county for TIF districts located in towns). The election is limited to “qualified TIF districts”—generally districts that have a large loss in captured tax capacity as a result of enactment of the HMVE.

To qualify for the election, a district must satisfy three criteria:

- (1) The district received a homestead market value credit of \$10,000 or more for taxes payable in 2011 (the last year before the credit was replaced by the HMVE).
- (2) The district’s captured net tax capacity must have dropped by at least 1.75 percent as a result of the HMVE for taxes payable in 2013 (the most recently available year).
- (3) Either the district’s five-year rule must still be open (that is, the increments are still permitted to be spent) or the district must not have enough increment to pay its outstanding bonds.

For a qualified district, the subtraction will equal the reduction in net tax capacity of the TIF district that results from the HMVE for taxes payable in 2013. The subtraction cannot reduce original net tax capacity below zero. An election must be made before July 1, 2014. For an election to apply for taxes payable in 2014, it must be made by July 1, 2013.

- 8 Adjustment to original net tax capacity; qualifying district.** Provides for a reduction in original net tax capacity for qualifying TIF districts of up to \$20,000. Reductions in original tax capacity have the effect of increasing captured tax capacity and the amount of tax increment for the district. To qualify for the reduction, the district must have been certified in calendar year 2011 and have 75 percent of its value in class 4d (low income housing) apartment property and have a per unit market value of at least \$115,000.

The adjustment expires for property taxes payable in 2021.

- 9 Distributions of general education levy taxes.** Provides that the taxes paid by captured tax capacity of TIF districts that are attributable to the new general education levy (authorized under article 3) will be paid to the school district that imposed the levy.
- 10 Fiscal disparities calculations; MOA funding.** Provides that commercial-industrial tax capacity in the MOA TIF districts is exempt from contributing to the areawide pool and that tax increments in the MOA TIF districts include the tax that would normally be paid to the

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areawide pool.

**Effective date:** Taxes payable in 2014, but for this provision to take effect, the city clerk for Bloomington must certify to the Hennepin County auditor that the city has entered a binding, written agreement to rehabilitate or replace the Old Cedar Avenue bridge and approves the provisions of section 23 requiring the city to transfer increments from these districts to pay for the Old Cedar Avenue bridge.

**11 Bloomington Central Station (BCS) TIF.** Makes three changes in Bloomington's BCS TIF district:

- Extends the five-year rule from ten years (under 2008 special legislation) to 15 years.
- Allows the city to extend the duration of the district through 2039 (an eight-year extension).
- Unfreezes the original tax capacity rate, allowing the district's increment to be calculated using the current tax rate, not the rate that was in effect when the district was certified.

**12 Oakdale TIF.** Modifies the special TIF law for the city of Oakdale, passed by the legislature in 2008 and modified in 2009, granting the city authority to deviate from general law rules with regard to TIF districts created in a defined area of the city. Makes two changes in the special law authority:

- The period of time that the city has to establish TIF districts under the special law is extended by four years from 2013 to 2017.
- An exemption is provided to the general law "blight test" rules. The blight test (essentially a requirement that an area contain "blighting" conditions that legally justify creating a redevelopment TIF district) requires that 70 percent of the parcels in an area be occupied by buildings or other qualifying structures and that 50 percent of the buildings be substandard. A parcel can be treated as being occupied by a substandard building if the parcel was occupied by a substandard building that was demolished within three years of certification of the district and if a four-part test is satisfied. The bill provides special rules for meeting this four-part test:
  - The three-year time limit between demolition of the building and the certification of the district does not apply.
  - The requirement that private demolition (if done by the property owner rather than the development authority) be done under a development agreement does not apply.

The adjustment to original net tax capacity (increasing it for any reduction in tax capacity resulting from demolition of the building) does not apply. This is consistent with the original special law, which allowed the city to set the original tax capacity at the land value.

**13 Oakdale TIF; extension and expanded spending authority.** Extends the duration of the Bergen Plaza TIF district in Oakdale by 16 years. In 2010, the legislature granted this district

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a ten-year extension, so the combined extensions would equal 26 years.

In addition, this section repeals the restrictions the 2010 special legislation placed on the extension. The 2010 legislation prohibited pooling of increments from the district during the extension, except to the extent that they were used for improvements on two listed parcels. (Pooling refers to the spending of increments from the district on activities outside of the geographic area of the district. This district is a pre-1990 district that would otherwise not have been subject to pooling restrictions.) Under the changes made by this section, this restriction would not apply; in effect allowing the city to use the district's increments on activities anywhere in the project area.

Because this is an extension, it would require approval by the county and school district in addition to the city.

**14 St. Cloud TIF.** Deems TIF District No. 2, referred to as the Norwest District, in the city of St. Cloud, a “gap district,” that is a district for which the request for certification was made on or after August 1, 1979, and before July 1, 1982. This will clarify an issue (which cannot be resolved in the city's records) of when the district was certified and what TIF rules apply to it. “Gap districts” were created before the 1982 legislature allowed “pooling” of increments for new TIF districts.

**15 Glencoe TIF extension.** Authorizes the city of Glencoe to extend the duration of its TIF district No. 4 through December 31, 2023. This district is a redevelopment district that is required by general law to be decertified in 2013, so this is a ten-year extension and the district would have a 35-year duration.

The additional increment collected during the extension would be limited to paying debt service on bonds that were outstanding on January 1, 2013, for public improvements serving:

- the city's TIF district No. 14 (a redevelopment district certified in 2004);
- the city's TIF district No. 15 (an economic development district certified in 2007);
- and
- benefited properties related to a series of special assessment bonds issued in 2007 (or refunding bonds).

**Effective date:** Upon local approval by the city, county, and school district.

**16 Ely TIF extension.** Allows the city of Ely to extend the duration of its TIF district No. 1 by four years (from 2017 to 2021). The city is also permitted to transfer increments from TIF District No. 3 to pay binding obligations of the TIF District No. 1, which has a deficit. This transfer is limited to \$168,000 or the amount of the shortfall in District No. 1, whichever is less.

**Effective date:** Upon local approval by the city, county, and school district.

**17 Dakota County CDA TIF; West St. Paul.** Allows the Dakota County Community Development Agency (CDA) to establish a redevelopment TIF district in the city of West St. Paul. This district would consist of the parcels of a redevelopment district that was decertified in 2012; the original tax capacity of the district is set at \$93,239. The district is

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treated as a redevelopment district, but it must be decertified in 2023. Under general law, a redevelopment district is allowed 26 years of increment, as contrasted with the five years allowed to this district. Alternatively, the bill could be viewed as a ten-year extension of the pre-existing district, since the original tax capacity is set at the level of the decertified district.

This district would be exempt from the blight test (i.e., the rules that restrict areas that qualify as redevelopment districts) and is provided exemptions for the following limits on the spending of redevelopment district increments:

- The requirement that increments be used for blight correction does not apply.
- The pooling rules (percentage limits on how much increment may be spent on activities outside of the TIF district) do not apply.

The district's captured tax capacity is included for computing state aid formulas (e.g., local government aid, county program aid, education aid, and so forth).

**18 City of Apple Valley; TIF Authority.** Grants special law authority to the city of Apple Valley to create TIF districts (until December 31, 2022) under special rules in a defined area of the city. Before using this authority, the city must find that 70 percent of the defined area has one or more of the following conditions (a parcel is treated as wholly meeting a requirement if 70 percent of its area meets the requirement, except a 30-percent test applies for the substandard building requirement):

- Peat or other geotechnical difficulties with the soil that "impair" the ability to develop the parcel
- Substantial fill is required for commercial development
- Landfills, dumps, or similar conditions
- Quarries (e.g., gravel pits) or similar
- Floodway
- Substandard building(s), as defined under the TIF blight test under general law, on the parcel

**Special TIF rules that apply.** The following exceptions to general law TIF rules would apply to new districts created in the defined area. Any type of TIF district, except an economic development district or housing district, could be created in the area and qualify for these special rules.

- **A new type of TIF district – a soils deficiency district – with special qualifying rules would be allowed.** This authority roughly mirrors a similar type of district that existed under an old TIF law, which was repealed by the legislature in the 1990s. To qualify, 60 percent of the area would need to have soils or terrain difficulties with estimated correction costs (basically grading or filling) that exceed the fair market value of the property (but not counting the cost of roads and other public

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improvements that landowners could be specially assessed for). These soils deficiency districts would be allowed to collect 21 years of increments and would be limited to spending increments on land acquisition, soils correction, public improvements, and administrative expenses. These expenditures would qualify if they are made for these types of costs anywhere in the defined area.

- **The five-year rule is extended to ten years.** Under general law, the five-year rule limits the period of time that in-district expenditures (under the percentage-pooling rules) may be spent. This is intended to ensure that after a reasonable period of time, tax increments are used to pay off development costs and to put the property back on the tax rolls.
- **The pooling percentage is increased from 20 percent to 80 percent.** However, to qualify for the higher percentage, the increment would need to be spent in the area defined by the bill (i.e., the project area could not extend beyond these boundaries).

**19 City of Apple Valley; TIF Authority.** Authorizes the city of Apple Valley to use tax increment financing to provide improvements, loans, subsidies to buildings and facilities if: (1) the projects will create or retain jobs, including construction jobs, in Minnesota; (2) construction of the project will not begin prior to July 1, 2014 without the use of tax increment financing; (3) request for certification of the district is made no later than June 30, 2014; and (4) construction of the project begins no later than July 1, 2014.

**20 Minneapolis value capture district for transit.** Authorizes the city of Minneapolis to create a value capture district to finance construction of a streetcar line and related improvements. The city could include parcels in the district that are located in five defined areas of the city along the proposed line. Revenues from the district would be calculated using the same method that applies under the TIF law, except current tax rates would be used, rather than a certified original tax rate.

Revenues from the district may be spent for items within an area located within one block on either side of the streetcar line, the location of which would be determined by the city.

Permitted uses of district revenues are limited to:

- planning and design for the streetcar line;
- acquiring, constructing, and equipping the line;
- transit stations; and
- related public infrastructure improvements (sidewalks, street improvements, and so forth).

District revenues may not be used to pay for operation of the streetcar line.

The city is authorized to issue bonds without an election under the authority.

The duration of the district is limited to 25 years or the time needed to pay for the capital improvements, including bonds, if that is shorter.

**21 Maplewood TIF.** Authorizes the city of Maplewood to establish TIF districts within an area of the city defined by reference to a property tax parcel number, which presumably consists of

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all or part of the corporate campus of the 3M Company. If the city so elects, these TIF districts will be subject to special law rules that differ from those under general TIF law.

The city could approve TIF plans and establish districts under this authority through December 31, 2018.

The following special rules or exemptions from general law would apply to districts certified in the defined project area:

- **Blight test exemption.** Redevelopment districts could be established without meeting the blight test. Ninety percent of increments from the district, unlike a general law redevelopment district, would not be required to be spent on correction of blight.
- **Pooling exemption.** So long as increments are spent within the defined project area, restrictions on pooling increments (that is, spending on activities outside of the TIF district) do not apply.
- **Five-year rule exemption.** The five-year rule, which requires spending to be completed within five years of certification of the district, is extended to ten years.
- **One-year knockdown rule.** Parcels in a district would be subject to a one-year knockdown rule—that is, if construction does not start on a parcel within one year after its certification for inclusion in the TIF district, the parcel would be dropped from the district and could only be reinstated when construction actually begins. Under general law, a four-year period applies.

**22 MOA TIF district; property transfer and extension.** Allows the port authority and city of Bloomington to elect to transfer several parcels between the MOA TIF districts. This will allow these undeveloped parcels on the northern edge of the district containing the mall to be shifted to the district containing the site of the former Met Center. This would have the effect of extending by three years the ability to collect increments from these parcels.

In addition, this section allows Bloomington to extend the two MOA TIF districts through 2034 (an 18-year extension for the district containing the mall and 15-year extension for the district containing the Met Center site). During the extension, however, increment would be limited to the special fiscal disparities computation provided by section 10; local tax rates for the city, county, school, and special districts would be computed including the captured tax capacity of the TIF districts. The extensions would terminate for taxes payable in 2024, if new improvements, worth at least \$100 million, have not been constructed in District No. 1-G (the district containing the former Met Center) by January 1, 2021.

This provision is effective upon local approval by the city, but does not require approval by the county or school district, since the entire area covered by the fiscal disparities tax is affected equally, not just the school or county. In addition, the provision does not become effective unless the city has entered a binding, written agreement to rehabilitate or replace the Old Cedar Avenue bridge.

**23 City of Bloomington; Old Cedar Avenue Bridge.** Requires the city of Bloomington to



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transfer increment from its two MOA TIF districts equal to the amount of increment for taxes payable in 2014 as a result of section 10 to be used to renovate or replace the Old Cedar Avenue bridge.

The section also prohibits putting signage on or around the bridge acknowledging contributions, sponsorships, or sale of naming rights to the bridge.

**Effective date:** Subject to local approval by the city of Bloomington

## **Article 10: Destination Medical Center**

### **Overview**

This article provides local bonding, taxing, and other development financing powers to the city of Rochester to fund public infrastructure for the destination medical center project. The article directs the city to create a nonprofit corporation to develop the plan and help finance the development. In addition, the article provides state aid, based on the level of new nonpublic capital investment in Mayo Clinic and other private building projects in the city, to provide state assistance in building public infrastructure for the development. The maximum amount of general state aid is \$327 million, with no more than \$30 million per year (the city and county are expected to pay for \$128 million to qualify for this aid). In addition, \$116 million funding for public transit for the project is provided with a portion of this to be funded with local taxes. A sales tax exemption for construction materials and supplies is provided for public projects.

- 1 Private donor data.** Provides that the nonprofit corporation, which the city of Rochester is directed to create by section 4 for the destination medical center project, will be treated for data practices purposes in the same manner provided under present law for the University of Minnesota, the MNSC, the Minnesota zoo, the Regional Parks Foundation, and the State Services for the Blind. This will classify various donor related data of the corporation as private or nonpublic data.
- 2 Construction material; public infrastructure costs.** Provides a sales tax exemption for construction materials and supplies used in, and equipment incorporated into public infrastructure included in the Destination Medical Center Corporation (DMCC) development plan and financed with public funds.

**Effective date:** Purchases after June 30, 2015 and before December 31, 2049.

- 3 Definitions.** Defines “city” (Rochester), “county” (Olmsted), “Destination Medical Center Corporation” (nonprofit created by the city), “destination medical center development district” (geographic area in the city in which under the development plan public infrastructure projects are implemented), “development plan” (adopted by the nonprofit corporation), “financial interest” (used in applying conflict of interest rules), “medical business entity” (Mayo), “nonprofit economic development agency” (nonprofit corporation to be created by Mayo), “project,” “public infrastructure project” (project funded in part or

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whole with public money to support the medical business entity's development identified in the development plan), and "year" (calendar year).

### **4 Destination Medical Center Corporation (DMCC) established.**

**Subd. 1. DMCC created.** Directs the city to establish a nonprofit corporation. Provides that the corporation is not subject to laws governing the city except as provided in this section.

**Subd. 2. Membership.** Provides for eight members:

- the mayor of the city or designee, subject to city council approval
- the city council president or designee, subject to city council approval
- a member of the county board, appointed by the county board
- one representative of Mayo Clinic is appointed by and serving at the pleasure of Mayo
- four appointees of the governor, subject to Senate confirmation

**Subd. 3. Terms.** Provides for six-year staggered terms for board members appointed by the governor. City and county representatives serve for the length of their terms of office with the city or county.

**Subd. 4. Vacancies.** Provides for filling of vacancies will be covered by general law governing filling vacancies in appointed and elective office.

**Subd. 5. Chair.** Provides for election of the chair from among the gubernatorial appointees.

**Subd. 6. Pay.** Provides for compensation of members under the general provision (\$55/day). The Mayo Clinic representative is treated as an employee of a political subdivision and, thus, would not be compensated.

**Subd. 7. Removal for cause.** Authorizes removal of board members for inefficiency, neglect of duty, or misconduct in office and establishes the procedural rules for removal.

**Subd. 8. Open meeting law; data practices.** Provides that the open meeting law in chapter 13D and the government data practices act apply to the DMCC.

**Subd. 9. Conflicts of interest.** Prohibits members of the board of the DMCC, other than the representative of Mayo, from being employees of, serving on the board of, or otherwise representing the Mayo Clinic for a year before serving on the board and while on the board. Board members may not be lobbyists.

**Subd. 10. Public officials.** Provides board members are public officials under chapter 10A. This will require them to file annual statements of economic interest.

**Subd. 11. Powers.** Permits the DMCC to exercise any powers granted in its articles of incorporation and bylaws as long as they are not inconsistent with this

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article.

**Subd. 12. Contract for services.** Authorizes the corporation to contract for services and requires it to contract with the nonprofit economic development agency for the services listed in section 6.

**Subd. 13. DMCC approval of projects.** Requires the corporation to approve individual public infrastructure projects.

**Subd. 14. Dissolution.** Requires the articles of incorporation to provide for dissolution of the corporation.

**5 Officers, duties and organizational matters.** Authorizes the corporation to adopt bylaws and rules and requires the corporation to have an elected treasurer and appointed secretary and assistance treasurer. Specifies the duties of these officers.

**6 Development plan.**

**Subd. 1. Development plan; adoption by DMCC; notice; findings.** Directs the DMCC to prepare and adopt a development plan after publication, notice, and public hearing. Requires the DMCC to make certain findings before adopting the plan, including that the city has approved the plan. The plan must give priority to projects that pay wages equal to a basic cost of living standard proposed in the jobs bill.

**Subd. 2. Development plan approval by city.** Provides that the process requirements of section 15.99 do not apply city approval, but directs the city to act on the plan within 60 days after submission.

**Subd. 3. Subject to city requirements.** Specifies that all projects are subject to the city's planning, zoning, and similar requirements.

**Subd. 4. Modification of development plan.** Directs the DMCC to review and update the plan at least every five years.

**Subd. 5. Medical center development districts; creation; notice; findings.** Permits the DMCC plan to create districts and subdistricts within the city. Permits projects to be undertaken within the districts consistent with the adopted development plan.

**Subd. 6. Nonprofit economic development agency.** Direct the Mayo Clinic to establish a nonprofit agency to help develop and market the destination medical center. Its board must include representatives of the medical community, city, and county. The agency is to provide a variety of services to the corporation, related to developing and implementing the plan for the DMC. The agency must disclose to the corporation the financial interests of its employees and contractors in public infrastructure projects.

**Subd. 7. Audit of nonprofit agency contracts.** Provides that any services paid for with public money are subject to audit by the DMCC, the city and the state auditor, as necessary to certify the nature and extent of services furnished, and that payment

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complies with applicable laws and terms of the contract.

**Subd. 8. Report.** Requires an annual report by the DMCC and city to the legislature, and to the commissioners of revenue and employment and economic development, and to the county. Specifies scope of report, including actual costs and financing sources, including state aid amounts paid and the required local contributions.

**7 City powers; duties, authority to issue bonds.** Grants the following powers to the city to implement the DMC development plan:

- general port authority powers
- authority to provide money to fund the corporation
- authority to issue any type of bonds, without referendum and outside of net debt limits, secured by any of the city revenues, including the newly authorized taxes and state aid payments under section 10. The city is prohibited from issuing bonds secured only by state aid payments and is required to use, to the extent practicable, American made steel in the project.
- authority to finance projects before adoption of the development plan. If the projects are approved by the corporation, they are credited against the required local matching contribution in section 10.

The city must require that public infrastructure projects use American made steel to the extent practicable under the federal contracting law standards. The city is to make every effort to employ women and minority contractors. The city or its EDA are required to issue conduct, tax exempt bonds for projects with contributions from donors equal to ten percent or more of the capital cost.

An exemption from competitive bidding requirements is provided for public improvements that are constructed in conjunction with the private developments.

**8 City tax authority.** Provides the city of Rochester the following options to fund the city's share of the public infrastructure projects for the DMC development plan.

**Subd. 1. Other local taxes authorized.** Authorizes the city to impose by ordinance any of the following local taxes:

- a local lodging tax
- a food and beverage tax
- an admission/entertainment tax

Proceeds from any of these taxes must be used to fund projects included in the development plan. If imposed, these taxes terminate by December 31, 2049, or when sufficient funds are raised to meet the cities obligations for funding these projects.

**Subd. 2. General sales tax authority.** The city may also choose to extend its existing local sales tax until 2049 under section 13 or increase its general local sales tax rate (by up to an additional 0.25 percent point) under section 11.

**Subd. 3. Special abatement rules.** Authorizes the city and county to use the

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general economic development abatement law to fund the DMC development without regard to the duration limits, the prohibition on granting additional abatements for eight years after an abatement was granted, and the percentage and dollar amount limits.

**Subd. 4. Special tax increment financing rules.** Authorizes the city to establish redevelopment TIF districts within the area of the DMC district without regard to the blight test, the requirement that redevelopment district increments be spent on blight correction, the prohibition on using increments for social and recreational facilities, the five-year rule and pooling restriction, if the increments are used for public infrastructure projects.

- 9 County tax authority.** Authorizes Olmsted County to impose, by resolution, up to a 0.25 percent general sales tax and/or up to a \$10 per vehicle wheelage tax to pay a portion of the transit infrastructure costs related to the DMC development plan. Revenues are first dedicated to the county portion which is limited to the amount raised by a sales tax of 0.15 percent, and any excess revenues may be used by the county to fund other transportation and transit projects within the county. Until January 1, 2018, the combined wheelage tax imposed under this section and general law must be equal to the rate in general law due to limitations in the state computer system.

Taxes imposed under this section expire at the earlier of December 31, 2049, or when the county determines it has revenues sufficient to meet its obligation to the DMC transit projects.

- 10 State infrastructure aid.** Provides for general state infrastructure aid and transit aid based on private investment and local city and county contributions to fund infrastructure projects in the DMC development plan.

**Subd. 1. Definitions.** Defines terms for the purposes of the aid programs:

- **Commissioner** is the commissioner of the Department of Employment and Economic Development (DEED).
- **Construction projects** are buildings in Rochester for which the building permit is granted after June 30, 2013.
- **Expenditures** are capital outlays by the Mayo Clinic for building construction projects, including both hard and soft costs, and similar expenditures by other private entities under the development plan.
- **Qualified expenditures** are expenditures that exceed \$200 million; this is the point at which the expenditures enter into the aid formula calculations under subdivision 3 and 5.
- **Transit costs** are the parts of the development plan related to transit improvements.

**Subd. 2. Certification expenditures.** Requires Mayo Clinic and the corporation for

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other private entities making qualifying expenditures under the plan to annually certify to DEED the amount of the expenditures. This must be done in the manner specified by DEED.

**Subd. 3. General state infrastructure aid.** Provides for payment of state aid to Rochester after the Mayo Clinic has made a minimum of expenditures of \$200 million for construction of buildings in the city. The aid equals the amount of those expenditures in the prior calendar year multiplied by 2.75 percent. To qualify for this aid, the city must make the local match specified in subdivision 4. The aid will be paid on September 1. The city may use the aid only for public infrastructure costs (other than transit costs) of the DMC. The aid cannot exceed \$30 million in any year and the total amount of aid cannot exceed the amount necessary to pay for the project costs of \$327 million, including financing costs. If the aid entitlement in any year exceeds the annual dollar limit, the excess is carryover to later years.

**Subd. 4. General aid, local matching contribution.** Sets a local matching contribution to qualify for the state aid of \$128 million of project costs. DEED and the city will agree on the manner and timing for making this local contribution. The city and DEED may agree to modify this agreement when appropriate.

**Subd. 5. Transit aid.** Provides that transit aid is calculated in the same manner as state general aid, except a rate of 0.75 percent is used. To qualify for transit aid in any year, the local match must be provided as required by subdivision 6. The maximum amount of transit aid that may be paid in any year is \$7.5 million. If the aid entitlement in any year exceeds the annual dollar limit, the excess is carryover to later years. The combined transit aid under this subdivision and the revenues from the local match in subdivision 6 is limited to the amount needed to finance \$116 million in transit costs.

**Subd. 6. Transit aid; local match.** Provides that the local match of transit aid is an amount equal to the lesser of:

- 40 percent of the state transit aid under subdivision 5; or
- the amount that would be raised by imposing a county general sales tax at a rate of 0.15 percent.

The local match could be met by the county imposing that tax or by the county and city agreeing to use other funds to provide an equal amount.

**Subd. 7. Prevailing wage requirement.** Requires the payment of prevailing wages on public infrastructure contracts and subjects projects to enforcement under the prevailing wage statute.

**Subd. 8. Termination.** Terminates aid payments in fiscal 2049. General infrastructure aid payments may terminate earlier if the maximum amount of project costs, as specified by subdivision 3, have been funded by state aid.

**Subd. 9. Appropriation.** Provides an open and standing general fund appropriation

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to pay the state aid.

- 11 Sales and use taxes authorized (Rochester).** Authorizes the city of Rochester to impose an additional general sales tax of up to one-quarter of one percent without voter approval. This would be in addition to the current one-half percent tax in Rochester.
- 12 Use of revenues (Rochester sales tax).** Requires that any additional revenue resulting from either (1) an extension of the duration of the existing local sales tax or (2) an increase in the local sales tax rate under section 11, be used to fund the city share of public infrastructure costs related to the DMC development plan. Also repeals the requirement for the city to share \$5 million of its existing sales tax revenues with surrounding cities. This authority is reinstated subject to city council approval in section 14.
- 13 Termination of taxes (Rochester).** Authorizes the city to extend the duration of the existing one-half of one percent local sales tax as late as December 31, 2049, without voter approval. Also provides that if the sales tax rate is increased under section 11, the additional tax expires at the earlier of December 31, 2049, or when the city determines that the total revenues raised by the city for the DMC development project under this and other optional taxes is sufficient to meet the city's obligation.
- 14 Rochester sales tax sharing.** Reinstates the authority stricken in section 12, for the city of Rochester to share \$5 million of its local sales tax revenue collection with surrounding cities. Requires the city council to hold a hearing and approve the revenue sharing by resolution by September 1, 2013, in order to share the money. If the city does not pass the resolution, the \$5 million is directed to paying the city share of costs related to the Destination Medical Center development plan.  
  
Effective the day after final enactment.
- 15 Olmsted interregional passenger rail study.** Requires this ongoing study to include an analysis of the feasibility of high-speed rail between Rochester and the Mall of America, extending to the airport and the Union Depot in St. Paul.
- 16 Effective date.** Upon local approval by the city of Rochester.

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**Article 11: Minerals Taxes**

**Overview**

The article increases the taconite production tax by five cents per ton and makes following changes in the distribution of the taconite production tax revenues:

- Provides for increased payments to all school districts in the taconite tax relief area.
- Increases the match requirement for companies receiving distributions from the taconite economic development fund from 50 percent to an equal match.
- Reduces the distribution to the property tax relief fund by nine cents per ton. (This fund pays the taconite homestead credit.)
- Modifies the one-time distributions made in H.F. No. 729 (the omnibus jobs bill) by decreasing a distribution to the city of Tower and providing an additional distribution to the city of Grand Rapids.
- Authorizes the Iron Range Resources and Rehabilitation commissioner to issue bonds to finance school capital projects for schools in the two taconite areas.

- 1 Taconite payments and other reductions.** Fixes the school share of the portion of the taconite production tax that is used for property tax relief under this section at 95 percent of the total property tax relief for that year, and directs the other five percentage points to the cities and townships located within that school district.
- 2 Occupation taxes to be apportioned.** Redirects annually an amount of the occupation tax equal to 2.5 cent per ton on taconite production (as defined under the production tax) from the general fund to the mining environmental and regulatory account in the special revenue fund.
- 3 Taconite economic development fund (TEDF).** Requires taconite companies to provide a dollar-for-dollar match to any funds received from the TEDF, beginning with distributions in 2014. Under current law, the match requirement is 50 percent, but only applies to the first 14.7 cents of the TEDF (out of 30.1 cents total). The higher match would apply to all TEDF grants.
- 4 Taconite production tax rate.** Increases the rate of the taconite production tax by five cents per ton, to \$2.56 per ton.  
**Effective date:** Production year 2013
- 5 Taconite school aid.** Increases the production tax distribution to all school districts in the taconite area by nine cents per ton, and provides for a supplemental distribution of taconite production tax proceeds to school districts based on the size of each district's referendum levy authority and its tax base.



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**Effective date:** 2014 distribution.

- 6**     **Property tax relief.** Reduces the production tax distribution to the fund that pays for the taconite homestead credit by nine cents/ton (from 43.8 cents/ton to 34.8 cents/ton). This increases the amount available under the residual distribution to the Taconite Environmental Fund and the Douglas J. Johnson Economic Fund, offsetting the increased distributions to schools under section 5.
- Effective date:** 2014 distribution.
- 7**     **Distribution to city of Eveleth.** Makes the 0.2 cents per ton distribution to the city of Eveleth for the hockey hall of fame a permanent distribution and eliminates the donation match requirement.
- 8**     **Indexing adjustment.** Resets the escalator that applies to the rate for the distribution to the taconite tax relief fund after the rate reduction under section 6.
- 9**     **Iron Range Fiscal Disparities Study.** Requires the commissioner of revenue to conduct a study of the Iron Range fiscal disparities program. The study must be completed by February 1, 2014. Requires the study to analyze:
- trends in population, tax base, tax rates, and contribution and distribution tax capacities across the region;
  - volatility of the program's distribution and causes of the volatility;
  - the impact of state policy changes on the program; and
  - the interaction between the program and the distribution of property tax aids and credits, taconite aid, and IRRR funding across the region.
- 10**    **2013 one-time distributions.** Modifies the one-time distributions of taconite production tax revenues passed in H.F. No. 729 (the omnibus jobs finance bill) to reduce the distribution to the city of Tower by 0.5 cents/ton and to provide an additional distribution of 0.5 cents/ton to the city of Grand Rapids for an economic development project.
- Effective date:** Production year 2013 only
- 11**    **IRRR school bonds.** Authorizes the Iron Range Resources and Rehabilitation commissioner to issue bonds to make grants to school districts in the taconite tax relief areas for capital projects. These bonds would be paid by production tax distributions equal to ten cents per ton. The bonds would qualify for the credit enhancement program that applies to bonds directly issued by school districts. Proceeds provided to the St. Louis County Schools are required to be used to reduce debt service on outstanding bonds issued in 2009.
- Effective date:** 2014 distribution.

## Section

### Article 12: Public Finance

## Overview

The article contains portions of the annual bill sponsored by the Public Finance Institute, a trade association of businesses and professionals providing services in connection with state and local government bonding. It makes changes in the laws that affect the investment of local government money and the authority of local governments to issue debt securities.

The article also:

- Modifies the bond allocation statute to allow entitlement issuers to carryover allocations for the same period of time permitted under federal law.
- Authorizes the Metropolitan Council bonding of \$35.8 million for transit.
- Expands street reconstruction bonding authority to include bituminous overlay projects.
- Extends the city of St. Paul's capital improvement plan bonding authority.

- 1 Authority to invest in state and local securities.** Modifies the law regulating the authority to invest local government funds in municipal securities to include:
  - Revenue obligations of local governments without taxing authority, if the obligations are rated AA or better. Under current law, the issuing governmental unit must have taxing power.
  - Any short-term school district obligation (13 months or less) if it is either (1) rated in the highest rating category, or (2) covered by the state credit enhancement program.
- 2 Guaranteed investment contracts (GICs).** Authorizes local governments to invest in short-term GICs (18 months or less), if the issuer's or guarantor's short-term debt is rated in the highest rating category. This will allow purchase of short-term GICs issued by companies whose long-term debt is rated below the top two rating categories.
- 3 Special assessments for energy improvements.** Eliminates a reference under the energy improvement financing program (EIFP), enacted by the 2010 Legislature, that the properties must be "benefited" and allows EIFP special assessments to be repaid in 20 equal annual installments.
- 4 County capital notes.** Modifies the definition of "capital equipment" for which county capital notes may be issued to include:
  - Computer hardware and software
  - Development and training services bundled with computer hardware and software
- 5 County capital improvement program (CIP) bonds.** Expands the permitted facilities and expenditures that may be financed with county CIP bonds to include:

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- Public works facilities
- Fairgrounds buildings
- Records and data storage facilities
- Expenditures incurred before adoption of the plan, if the expenditures are included in the plan

Under present law, CIP bonds may be issued without referendum approval, but issuance is subject to a reverse referendum.

**6 County CIP bonds; election requirement.** Makes three changes in the statute related to the reverse referendum authority for county CIP bonds. The section:

- Ties the five-percent petition requirement to the number of voters in the last county general election. Current law ties this to the most recent general election, regardless of whether county officials were on the ballot.
- Eliminates the requirement that the commissioner of revenue prepare the ballot question.
- Prohibits the county from proposing to issue CIP bonds for a one-year period, if a reverse referendum petition is filed and the county chooses not to issue the bonds, rather than holding an election to approve them. If the issue is submitted and the voters do not approve, the issue can be resubmitted to the voters after 180 days.

**7 Dakota County Community Development Agency (DCCDA); housing improvement area powers.** Authorizes the DCCDA to exercise housing improvement district powers. The agency would be allowed to do this by resolution, rather than ordinance, as is required for cities exercising those powers. Housing improvement powers are used to help housing developments (e.g., town house developments) finance rehabilitation costs.

**8 Home rule charter city capital notes.** Makes changes to the capital note authority for home rule charter cities similar to those under section 4 for county capital notes.

**9 Statutory city capital notes.** Makes changes to the capital note authority for statutory cities similar to those under section 4 for county capital notes.

**10 Metropolitan Council; transit obligations.** Increases the council's authority to issue debt obligations to fund its capital improvement plan for transit and paratransit by \$35.8 million. Proceeds may also be used to pay issuance costs (subject to the \$35.8 million limit).

**11 Metropolitan Airports Commission (MAC), investment powers.** Eliminates restrictions on MAC's investment powers to be consistent with the authority for other local units of government.

**12 Bond allocation; entitlement issuers.** Eliminates the provision that deducts unused carryovers of entitlement issuers' bond allocations from their next year's allocation. This change is retroactive to the 2012 entitlement allocation.

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- 13 Bond allocation; OHE bonds.** Eliminates the one-year limit on Office of Higher Education's carryover of its bond allocation for student loan bonds. This change is retroactive to the 2012 entitlement allocation.
- 14 Bond allocation; MHFA bonds.** Eliminates the one-year limit on Minnesota Housing Financing Agency's carryover of its bond allocation for housing bonds. This change is retroactive to the 2012 entitlement allocation.
- 15 City CIP bonds.** Authorizes use of CIP bonds for expenditures incurred before adoption of the CIP, if the expenditures are included in the plan. This parallels the similar change in section 5 for county CIP bonds.
- 16 City CIP bonds; election requirement.** Makes changes to the city CIP reverse referendum provisions that parallel those made to the county CIP program by section 6.
- 17 Street reconstruction bonds.** Makes changes in the reverse referendum provisions governing street reconstruction bonds for questions that are subject to referendum, but that are not submitted to the voters or that are defeated to parallel the similar provisions for county and city CIP bonds in sections 6 and 16, and also provides that expenditures incurred before adoption of the capital improvement plan can be financed with the bonds, if the expenditures are included in the plan.
- This section allows street reconstruction bonds to be used for bituminous overlay projects, which under current law are not considered to be reconstructions.
- 18 St. Paul capital improvement plan (CIP) bonding.** Extends the St. Paul CIP bonding authority, which is set to expire at the end of 2013, through 2024. These bonds are general obligation bonds and may be issued upon a vote of five of the seven members of the city council without voter approval—this is an exception to the city's home rule charter, which otherwise would require simple majority approval by the council and voter approval.
- 19 Bond allocation; carryforward of 2011 allocations.** Provides carryforwards of bond allocations of entitlement issuers from 2011 are not to be deducted from the entitlement issuers' allocations in 2013.
- 20 Local match; Independent School District No. 435.** Allows Independent School District No. 435, Waubun-Ogema-White Earth to expand classroom space at its Ogema elementary site using a grant that was awarded to the district by the Department of Human Services on August 12, 2012. Notwithstanding match requirements, the district may use a lease-purchase agreement held by the district. Effective the day following final enactment.
- 21 Legislative office facilities; appropriations.** Authorizes the commissioner of administration to enter into a long-term lease purchase agreement (up to 25 year term) to predesign, design, construct, and equip a legislative office building for the senators and staff. The building is to be located on the block north of the capitol, bounded by Park Street and North Capitol Boulevard on the west and east. In addition, a parking structure could be built on the block to the immediate west. The commissioner of management and budget is authorized to issue

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revenue bonds or certificates of participation to fund the project.

The facilities are exempt from the design competition requirements. The commissioner of administration is to create a seven member selection committee to act as a board under the design build process statute, if the commissioner decides to use that method. Three of the members of the committee would be House members selected by the Speaker and three senators selected by the subcommittee on committees of the Rules Committee.

If the design build process is used, exemptions are provided from competitive bidding for audio and video contractors and subcontractors. The commissioner is given discretion and flexibility to select contractors. Authority is granted to enter ground leases for state-owned property as part of the financing. The commissioner of administration, however, cannot proceed with final plans and specifics until approval is obtained from the Senate Rules Committee.

\$3 million is appropriated from the general fund for FY 2014 for predesign and design. The appropriation is available until June 30, 2015. The commissioner is authorized to reserve money from the appropriation for legislative space for the repair costs related to the new building.

- 22**     **Appropriation.** Appropriates \$1.86 million from the general fund for rent loss and relocation expenses related to the renovation of the capitol. The base for this appropriation is \$1.38 million for FY 2016 and \$960,000 for FY 2017 and \$0 in later years.

## Section

### Article 13: Miscellaneous Provisions

#### Overview

Extends the E911 fee and the Telecommunication Access Minnesota fee (which provides devices to persons with communications impairments to enable them to use telecommunications devices) to prepaid wireless customers.

Modifies the calculation of the backup revenue trigger for funding the Vikings stadium.

Provides an annual \$1 million statutory appropriation to an account for the Agricultural Utilization Research Institute.

Makes recently enacted provisions related to timely filing of tax court appeals consistent with federal case law and provisions of the Internal Revenue Code.

Provides purpose statements for new tax expenditures proposed in the bill.

Makes administrative appropriations to the commissioner of revenue for administering the act and to the commissioner of employment and economic development for administering the Destination Medical Center article.

- 1     **Backup stadium revenues.** Increases the revenue sources in the formula that triggers the backup revenue sources for the Vikings stadium account by \$20,000,000.
- 2     **Appropriation.** Provides an annual \$1 million appropriation from the general fund to the Agricultural Utilization Research Institute account in the special revenue fund.
- 3     **E911 fee; collection.** Provides an exception to the requirement that all telecommunications carriers collect the Telephone Access Minnesota (TAM) fee under this subdivision.
- 4     **E911 fee; prepaid wireless telecommunications service.** Specifies that the regular TAM fee does not apply to prepaid wireless communications service, which is subject instead to the fee established in section 18, subdivision 1, paragraph (b).
- 5     **E911 fee; Minnesota tax laws.** Adds fees established in section 403 (i.e., the E911 fee) to the definition of “Minnesota tax laws.”
- 6     **E911 fee; Department of Public Safety.** Allows the commissioner of revenue to disclose return information to the Department of Public Safety as necessary to administer the collection of E911 and TAM fees from prepaid wireless customers.
- 7     **Participation in Multistate Tax Commission (MTC) audits.** Authorizes the commissioner of revenue to participate in audits performed by the MTC. Section 24 repeals Minnesota’s participation in the Multistate Tax Compact as a member of the MTC.
- 8     **Timely filed.** Makes technical changes to Laws 2013, Chapter 36 so that the postmark rule

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for tax court appeals parallels federal case law and provisions of the Internal Revenue Code.

- 9 Backup stadium revenues.** Increases the revenue sources in the formula that triggers the backup revenue sources for the Vikings stadium account by \$20,000,000.
- 10 Prepaid wireless telecommunications services; definition.** Defines prepaid wireless telecommunications services in chapter 403 for use in administering the E911 fee.
- 11 Wireless telecommunications service; definition.** Defines wireless telecommunications service in chapter 403 for use in administering the E911 fee.
- 12 Wireless telecommunications service provider; definition.** Changes the existing definition of wireless telecommunications service provider to reference the new definition of wireless telecommunication service in section 11.
- 13 Biennial budget; annual financial report.** Requires inclusion of 911 revenue and expenditure forecasts and projections, including separate data for prepaid wireless revenues, and projections of year-end fund balances in the Department of Public Safety's annual budget report to the legislature.
- 14 Emergency telecommunications service fee; account.** Exempts prepaid wireless customers from the current 911 fee and subjects them to the fee established in section 18.
- 15 Eligible telecommunications carrier status; requirement.** Prohibits wireless communication providers from qualifying for federal designation as an eligible telecommunications carrier, unless the commissioner of public safety certifies that the carrier is not in arrears in its payment to the 911 account.
- 16 Report.** Requires semiannual reports from telecommunications providers to the commissioner of public safety on the number of prepaid and total wireless subscribers sourced to Minnesota. Specifies that this is trade secret data.
- 17 Definitions; prepaid wireless fee.** Provides definitions for use in administering the E911 prepaid wireless fee.
- 18 Prepaid wireless fees imposed; collection; remittance.**
- Subd. 1. Fees imposed.** Imposes an E911 and TAM fee on prepaid wireless service at the current monthly rate.
- Subd. 2. Exemption.** Exempts from the fees in subdivision 1 a minimal amount of prepaid wireless telecommunications service (ten minutes or \$5 or less) sold with a prepaid wireless device that is charged a single nonitemized price.
- Subd. 3. Fee collected.** Specifies that these fees must be collected at the point of retail sale, combined into one amount, and separately reported on a receipt.
- Subd. 4. Sales and use tax treatment.** Specifies that the sales tax statutes be used to determine whether retail transactions of prepaid wireless service occur in Minnesota.

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**Subd. 5. Remittance.** Specifies that the seller is liable to remit these fees as provided in section 19.

**Subd. 6. Exclusion for calculating other charges.** Excludes the fees from being included in the base for measuring any other tax or charge imposed by the state or a local government.

**Subd. 7. Fee changes.** Specifies that these fees for prepaid wireless service must be increased or reduced proportionately to fluctuations in the same fees that apply to other customers. Specifies the effective date of fee changes and notice requirements.

### **19 Administration of prepaid wireless 911 fees.**

**Subd. 1. Remittance.** Specifies that the fees must be collected by sellers and remitted to the commissioner of revenue in the same general manner as sales taxes.

**Subd. 2. Seller's fee retention.** Authorizes a seller to deduct and retain three percent of the fees.

**Subd. 3. Department of Revenue provisions.** Specifies that the audit, collection, appeal, and other procedures of chapters 289A and 270C apply to these fees.

**Subd. 4. Procedures for resale transactions.** Authorizes the commissioner of revenue to establish procedures by which a seller may document that a sale is not a retail transaction that substantially coincide with existing provisions in chapter 297A.

**Subd. 5. Fees deposited.** Requires the commissioner of revenue to deposit each fee in its corresponding account within 30 days of receipt. The department may retain and deduct up to two percent of the collected fees for administration costs.

**20 Liability protection for sellers and providers.** Exempts providers and sellers of prepaid wireless telecommunications service from liability for damages resulting from providing lawful assistance in good faith to a state, federal, or local law enforcement officer.

**21 Exclusivity of prepaid wireless E911 fee.** Prohibits any tax, fee, or surcharge being imposed on prepaid wireless telecommunications service for E911 purposes.

**22 Purpose statements for tax expenditures.** Provides purpose statements for various tax expenditures added by the bill as follows:

- Federal conformity – to simplify compliance and administration of the individual income tax
- Income tax subtraction for federal railroad track maintenance credit – to increase maintenance and upgrading of railroad track in Minnesota
- Historic structure rehabilitation credit – to create and retain jobs related to historic rehabilitation



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- Greater Minnesota internship credit – to encourage Minnesota businesses to provide more internships in Greater Minnesota
- Sales tax exemption for Greater Minnesota businesses – to induce increased investment and expand employment in Greater Minnesota
- Expansion of sales tax exemption of durable medical products to Medicare and Medicaid purchases – to simplify sales tax administration and provide relief for sellers unable to collect tax under Medicare and Medicaid
- Sales tax exemption for public safety radio communications systems – to provide equal treatment to local governments on public safety radio purchases
- Sales tax exemption for established religious orders – to maintain an existing exemption that is jeopardized due to a St. John’s University governance change
- Sales tax exemption for certain dental providers – to defray the costs of these providers to encourage provision of service to underserved communities
- Sales tax exemption for nursing homes and boarding care homes – to maintain an existing exemption potentially eliminated due to a property tax court case
- Various sales tax exemptions for construction materials – to increase jobs and reduce tax pyramiding
- Sales tax exemption for aircraft parts and labor – to encourage growth of the aviation service sector in the state
- Sales tax exemption for public infrastructure related to destination medical center – to reduce city costs for projects

**Background.** Minnesota Statutes, section 3.192, requires bills that create new tax expenditures or renew existing tax expenditures to provide a purpose for the tax expenditure and a standard or goal for use in measuring its effectiveness.

**23**     **Administrative appropriation.** Appropriates \$950,000 to the commissioner of revenue for administering the act. \$350,000 is a onetime appropriation and \$300,000 per year becomes part of the agency’s base budget. Also appropriates \$25,000 per year to the commissioner of employment and economic development (DEED) for administering the Destination Medical Center article. The amount appropriated for DEED becomes part of the base budget.

**24**     **Repealer.** Repeals Minnesota’s membership in the Multistate Tax Commission.

**Section**

**Article 14: Market Value Definitions**

**Overview**

This bill converts the computation of levy, tax, spending, debt, and similar limits that are based on “market value” or “taxable market value” to estimated market value. This is done in response to the 2011 law that replaced the market value homestead credit with the market value exclusion and had, following a Department of Revenue interpretation, the consequence of reducing these limits by the amount of the new exclusion. Using estimated market value will base these limits on the assessor’s estimate of the properties’ fair market value, including any board or court orders adjusting that value, but before any exclusions, adjustments, or other changes are made to the value for tax or legislative policy purposes (e.g., green acres and similar deferrals and the homestead market value or other exclusions).

- 1 County fairgrounds improvement expenditures.** Converts from taxable to estimated market value the qualifying criterion (a minimum of \$105 million of market value) that permits a city, town, or school district to spend up to \$10,000 per year on county fairgrounds improvements.
- 2 County agriculture and conservation land assistance program; required levy.** Converts the minimum levy required for a county to participate in the state agricultural land preservation and conservation assistance program from a percentage of taxable market value to estimated market value. This levy is capped at \$15,000.
- 3 State police and fire aid; definitions.** Modifies the definitions for state police and fire aid to refer to estimated market value, rather than market value. Market value is used to allocate the amount of fire aid among recipient jurisdictions. The definition includes tax exempt market value.
- 4 Apportionment of state fire aid.** Provides for apportionment of state fire aid among recipient jurisdictions (cities, towns, and various other governmental units) based on estimated market value, rather than market value.
- 5 State fire aid.** Changes a reference in state fire aid from market value to estimated market value.
- 6 Auxiliary forest.** Deems the market value of land in an auxiliary forest for all purposes other than taxation to be based on estimated, rather than taxable, market value.
- 7 Watershed management tax district; levy limit.** Converts the watershed management tax district levy limit in rural towns from a limit based on 0.02418 percent of taxable market value to the same percentage of estimated market value.
- 8 Watershed management organizations; bond levy.** Converts the levy limit on watershed management organization bond levies in rural towns from a limit based on 0.02418 percent of

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taxable market value to estimated market value.

- 9 Lake Minnetonka Conservation District, total funding limitation.** Converts the total funding limit that applies to the Lake Minnetonka Conservation District from 0.00242 percent of taxable market value to estimated market value. This limit may be exceeded by resolution of three-fourths of the participating municipalities.
- 10 White Bear Lake Conservation District; municipal levy limits.** Converts the levy limit for municipalities to fund the White Bear Lake Conservation District from 0.02418 percent of taxable market value to estimated market value. This affects the cities of White Bear Lake, Dellwood, and Mahtomedi, and the town of White Bear.
- 11 Watershed districts; organizational expense fund.** Converts the cap on a watershed district's organizational expense fund, which is funded by a property tax levy, from a limit based on 0.01596 percent of taxable market value to estimated market value. This fund is capped at \$60,000.
- 12 Watershed districts; general fund and basic features levy limits.** Converts the limit on a watershed district's general levy limit from one equal to 0.048 percent of taxable market value to estimated market value. This levy cannot exceed \$250,000. An additional 15-year levy for basic water management features, if petitioned for by 50 or more resident owners, is also converted from taxable market value to estimated market value.
- 13 Watershed districts; survey and data acquisition levy.** Converts the limit on a watershed district's survey and data acquisition levy limit from 0.02418 percent of taxable market value to estimated market value. This levy may only be imposed once every five years.
- 14 Eminent domain blight test.** Modifies the definition of "structurally substandard" under the blight test in the eminent domain law to refer to estimated market value, rather than taxable market value. This test limits certain uses of the eminent domain power to properties where the cost of curing housing and similar types of code violations exceeds 50 percent of the value of the property. Under the changes, this would be measured against estimated, rather than taxable, market value.
- 15 Computation of adjusted net tax capacity or ANTC.** Requires the Department of Revenue (DOR) to compute ANTC values for cities and counties. ANTCs are used in various state aid formulas that are based on "equalized" tax base amounts (i.e., adjusted for the variations in assessment practices using assessment sales ratios). The statute now refers only to the computations for school districts. Changes in the section also clarify that these computations use values that reflect fiscal disparities, tax increment financing, and the power line credit. All of these changes codify the current DOR practice. Section 111 directs the Revisor to recodify this statute in the property tax statutes.
- 16 County historical society levy.** Converts the city and town levy limit for county historical societies from 0.02418 percent of taxable market value to estimated market value.
- 17 EMS district levy limit.** Converts the emergency medical service (EMS) taxing district levy limit from 0.048 percent of taxable market value to estimated market value. This levy is

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capped at \$400,000.

- 18 CSAH formula; rural counties.** Converts the levy calculation in the county state aid highway (CSAH) formula for rural counties from 0.01596 percent of taxable market value to estimated market value. This levy determines the expected local contribution under the formula.
- 19 CSAH formula; urban counties.** Converts the levy calculation in the CSAH formula for urban counties from 0.00967 percent of taxable market value to estimated market value. This levy determines the required local contribution under the formula.
- 20 Mandated expenditure of CSAH money; exemption.** Modifies the exemption from a mandate on counties to spend CSAH money on bridge and dam improvements in statutory, third, and fourth class cities. Under present law, this requirement does not apply to cities with taxable market value of more than \$2,100 per capita. This measure is converted to an estimated market value base.
- 21 County road and bridge levy in unorganized townships.** Modifies qualifying rules related to expenditure of the county road and bridge levy in unorganized towns from valuation based on taxable market value to estimated market value. This provision applies only to counties with unorganized townships and between 95 and 105 full or fractional townships and values between \$12 million and \$21 million. An obsolete reference to base for the property tax on “money and credits” is repealed; this tax was eliminated in the 1930s.
- 22 County road and bridge bond limit.** Converts the limit on county road and bridge bonds from 0.12089 of taxable market value to estimated market value and repeals a reference to the obsolete property tax on money and credits.
- 23 Estimated market value; definition.** Defines “estimated market value” for purposes of the property tax statutes as the assessor’s determination of market value, including any board orders, for the parcel of property. The definition of estimated market *for a taxing district* in section 25 governs the computation of tax levy limits, debt limits, and state aid computations. This section contains the general definition of a *parcel’s* estimated market value.
- 24 Taxable market value; definition.** Defines “taxable market value” for purposes of the property tax statutes as the estimated market value of the parcel reduced by:
- Market value exclusions
  - Deferments of value (e.g., green acres, rural preserves, open space, metropolitan agricultural preserves and so forth)
- Other adjustments that reduce market value before class rates are applied.
- 25 Market value definition; computation of levy limits, debt limits, and state aid.** Converts from taxable market value to estimated market value the definition of “market value” in the statute that provides the general rules for computing tax levy limits, debt limits, and state aid computations based on market value. Under current law, taxable market value is computed after (1) limited market value (which has expired and is obsolete) and (2) the “This Old House” valuation exclusion, but includes tax-exempt wind energy values. In addition, it

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provides that market value does not reflect adjustments for TIF, fiscal disparities, and the power line credit. In applying the statute, DOR has excluded a variety of minor valuation exclusions that are not referenced in the statute. This section now specifically references the minor exclusions, while providing that estimated market value is the value before these adjustments.

By converting the limits to estimated market value, the definition will not reflect the reductions or shifts in value caused by the following:

- The various deferrals, such as green acres, open space, rural preserves and so forth—this is a policy change from current practice and will increase limits somewhat in areas with these properties.
- Exclusions, including the homestead market value exclusion enacted by the 2011 legislature, as well as the more minor exclusions in prior law—this reflects either a change in the way the statute is written or DOR practice, but under prior law (before enactment of the homestead market value exclusion) these amounts were very minor.
- Adjustments to tax capacity, such as fiscal disparities and TIF—this is the same as current practice.

Present law requires that tax-exempt wind energy property be added to taxable market value. The section reverses that, confirming apparent local administrative practices in the counties with the largest amounts of this property.

The measure of estimated market value for tax limits is the amount for the previous assessment year, while for debt limits it is the most recently available amount.

Limits under special law and city charters that are based on market value are also converted to estimated market value.

- 26**     **Cross reference.** Corrects a cross reference to a subdivision (relating to the value of platted land) that was recodified as two subdivisions in 2008.
- 27**     **Manufactured home park cooperative.** Eliminates a reference to the repealed market value homestead credit with a reference to the market value homestead exclusion.
- 28**     **Homestead application.** Replaces a reference to the repealed market value credit with a reference to the market value exclusion.
- 29**     **Tax definition.** Eliminates an obsolete reference to gross tax capacity.
- 30**     **Disparity reduction aid (DRA).** Requires taxable market values to be used in the computation of DRA, since DRA computations are based on net tax capacity, which is always based on taxable market value.
- 31**     **Disparity reduction credit (DRC).** Confirms that the DRC will continue to be computed using taxable market value. This prevents the definitional change in section 25 from

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modifying the computation of the DRC.

- 32 Levy limits based on mill rates; growth factor.** Provides that the law converting old special law and city charter provisions containing levy or mill rate limits will provide increases based on the rate of growth in estimated market value, rather than taxable market value.
- 33 Correction of town levies.** Modifies the thresholds used to determine which year's levy a correction of mistakes in town levies will be added to from a percentage of taxable market value to estimated market value.
- 34 Obsolete levy limit law.** Converts the growth factor under the old (last effective for the 2010 levy) levy limit law for commercial-industrial property from taxable to estimated market value.
- 35 Contents of tax statement.** Updates a cross reference in the statute specifying the contents of the property tax statement to the new definition of taxable market value contained in section 24 and eliminates an obsolete reference to limited market value.
- 36 Iron Range fiscal disparities; adjusted market value.** Defines "adjusted market value" for the purposes of the Iron Range fiscal disparities law to be taxable market value, adjusted by the sales ratio. This change confirms existing practice, which is contrary to the statute's use of estimated market value.
- 37 Iron Range fiscal disparities; fiscal capacity.** Clarifies that fiscal capacity under the Iron Range fiscal disparities law is based on adjusted market value.
- 38 Iron Range fiscal disparities; average fiscal capacity.** Clarifies that average fiscal capacity under the Iron Range fiscal disparities law is based on adjusted market value.
- 39 Iron Range fiscal disparities; net tax capacity.** Clarifies that net tax capacity under the Iron Range fiscal disparities law is based on taxable market value.
- 40 Iron Range fiscal disparities; adjustment of values.** Eliminates the mandate that limits on levies, aid, taxes, debt, or salary based on values be adjusted to reflect the effect of the Iron Range fiscal disparities law. (Most of these limits will be based on estimated market value, which does not reflect the effects of fiscal disparities.) The section also clarifies computation of fiscal capacity (used to compute distributions) to be consistent with administrative practices.
- 41 Allocation of multicounty mortgage registry tax collections.** Provides that the county portion of collections of mortgage registry tax paid for mortgages on properties in multiple counties is allocated among the counties using the estimated, rather than taxable, market value of the properties.
- 42 Allocation of multicounty deed tax collections.** Provides that the county portion of collections of deed tax paid for properties in multiple counties is allocated among the counties using the estimated, rather than taxable, market value of the properties.

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- 43 Employer contributions to volunteer firefighters' pensions.** Provides that one-half of additional contributions to a volunteer firefighters' pension fund, required as a result of insufficient fund assets, to be allocated to employer-municipalities in proportion to their estimated, rather than taxable, market values.
- 44 Major town purchases.** Converts the threshold that subjects large contracts for town purchases to reverse referendum authority from 0.24177 percent of taxable market value to estimated market value.
- 45 Town certificates of indebtedness.** Converts the threshold that subjects town issuance of certificates of indebtedness to reverse referendum authority from 0.25 percent of taxable market value to estimated market value.
- 46 Town firefighter relief levy limit.** Converts the levy limit for firefighter pension benefits, applicable to towns with populations of 1,200 or more, from 0.00806 percent of taxable market value to estimated market value.
- 47 Metropolitan area towns; certificates of indebtedness.** Converts the threshold that subjects metro area town issuance of certificates of indebtedness to reverse referendum authority from 0.24177 percent of taxable market value to estimated market value.
- 48 Dissolution of towns.** Converts the criteria for dissolution of a town, which is triggered by the town's total taxable market value dropping below \$165,000, to estimated market value.
- 49 County boundary changes.** Converts the criteria allowing changes in county boundaries to estimated, rather than taxable, market value.
- 50 County CIP bonds.** Eliminates the definition of "tax capacity" in the county capital improvement plan (CIP) bond law. This definition is obsolete, since the CIP debt limit is based on market value, rather than tax capacity.
- 51 County CIP bond debt limit.** Converts the limit on county CIP bonds from 0.12 percent of taxable market value to estimated market value.
- 52 Limit on county spending for nonprofit legal assistance.** Modifies the limit on the amount a county may spend to fund a nonprofit legal assistance corporation from 0.00604 percent of taxable market value to estimated market value.
- 53 County courthouse bonds.** Converts the debt limit for county courthouse bonds that may be issued without an election from 0.0403 percent of taxable market value to estimated market value.
- 54 County emergency jobs program.** Modifies the limit on the county levy for an emergency jobs program from 0.01209 percent of taxable market value to estimated market value.
- 55 Hennepin County; building fund.** Converts the Hennepin County reserve and building maintenance levy limit from 0.02215 percent of taxable market value to estimated market value.

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- 56 Hennepin County Library levy limit.** Converts the Hennepin County Library levy limit from 0.01612 percent of taxable market value to estimated market value.
- 57 Three Rivers Park District levy limit.** Converts the levy limit for the Three Rivers Park District from 0.03224 percent of taxable market value to estimated market value.
- 58 Anoka County Library debt limit.** Converts the debt limit (expressed relative to the maximum annual payment of principal and interest) on Anoka County Library bonds from 0.01 percent of taxable market value to estimated market value.
- 59 Anoka County Library levy limit.** Converts the Anoka County Library levy limit from 0.01 percent of taxable market value to estimated market value.
- 60 County interfund borrowing.** Converts the minimum size threshold for a county to engage in interfund borrowing from \$1.033 billion of taxable market value to estimated market value.
- 61 Continuance of nonconforming land uses.** Modifies the exception to the authority to continue nonconforming land uses if more than 50 percent of the market value of the building or structure is destroyed by fire or natural disaster so that the test is based on estimated, rather than taxable, market value.
- 62 Regional rail authority levy limit.** Converts the regional rail authority levy limit from 0.04835 percent of taxable market value to estimated market value.
- 63 Community corrections facilities; rent limit.** Converts the rent limit in the law permitting lease-revenue bond financing of community corrections facilities from 0.1 percent of taxable market value to the same percentage of estimated market value.
- 64 Capital notes; home rule charter cities.** Converts the debt limit that applies to capital notes issued without an election by a home rule charter city from 0.03 percent of taxable market value to estimated market value.
- 65 Certain contracts; statutory cities.** Converts the threshold that subjects conditional sale contracts and contracts for deed purchases by statutory cities to reverse referendum authority from 0.24177 percent of taxable market value to the same percentage of estimated market value.
- 66 Certificates of indebtedness; statutory cities.** Converts the threshold that subjects statutory cities' issuance of certificates of indebtedness to reverse referendum authority from 0.25 percent of taxable market value to estimated market value.
- 67 Special service districts; property subject to charges.** Modifies the test to determine whether a split-use property in a special service district is subject in full or proportionately to the charges or levies from 50 percent of taxable market value to the same percentage of estimated market value. (Properties with more than 50 percent of their value derived from the commercial-industrial uses are subject to the charges on their full value, while properties with lower percentages are only subject to the charges on the C/I portion of the value.)



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- 68 Pedestrian mall improvements; levy limit.** Converts the levy limit for special city tax for pedestrian mall improvements from 0.12089 percent of taxable market value to the same percentage of estimated market value.
- 69 First-class city hospital levy.** Converts the authorized levy for operation of a first-class city-owned hospital from 0.0806 percent of taxable market value to estimated market value.
- 70 Campground levy.** Converts the authorized levy for operation and maintenance of a city or town tourist camping grounds from 0.0806 percent of taxable market value to estimated market value.
- 71 Hennepin County park museum levy.** Converts the Hennepin County park museum levy (used for the Minneapolis Museum Institute of Arts) from 0.00846 percent of taxable market value to estimated market value.
- 72 St. Cloud Transit Commission levy.** Converts the limits on the St. Cloud Transit Commission property tax levy from 0.12089 percent of taxable market value to estimated market value.
- 73 Duluth Transit Commission levy.** Converts the limits on the Duluth Transit Commission property tax levy from 0.07253 percent of taxable market value to estimated market value.
- 74 Cities; acceptance of conditional gifts.** Converts the qualifying rule for second-, third-, and fourth-class cities to accept gifts with conditions (such as life annuity gifts with interest not to exceed five percent) from \$41 million of taxable market value to estimated market value.
- 75 HRA levy limit.** Converts the levy limit for housing and redevelopment authorities (HRAs) from 0.0185 percent of taxable market value to estimated market value.
- 76 HRA debt limit.** Converts limit on the issuance of general obligation HRA bonds from 0.5 percent of taxable market value to estimated market value.
- 77 Port authority, mandatory city levy.** Converts the levy limit for the mandatory port authority levy (i.e., the levy the city must levy on behalf of the port authority) from 0.01813 percent of taxable market value to estimated market value.
- 78 Seaway Port Authority levy.** Converts the maximum basic levy of the Seaway Port Authority (which levies as a special tax district, rather than requiring the city to levy its tax as other port authorities do) from 0.01813 percent of taxable market value to estimated market value.
- 79 Port authority; discretionary city levy.** Converts the limit for the discretionary port authority levy (i.e., the levy the city may levy on behalf of the port authority) from 0.00282 percent of taxable market value to estimated market value.
- 80 EDA levy.** Converts the economic development authority city levy from 0.01813 percent of taxable market value to estimated market value.

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- 81 Multicounty economic development levy.** Converts the levy for county contributions to a multicounty, nonprofit economic development corporation from 0.0008 percent of taxable market value to estimated market value.
- 82 First-class city publicity levy.** Converts the authorized first-class city publicity levy from 0.0008 percent of taxable market value to estimated market value.
- 83 Hazardous property penalty.** Converts the limit on the penalty a city may assess on hazardous properties from one percent of taxable market value to estimated market value.
- 84 Joint maintenance of cemeteries.** Modifies the law allowing contiguous towns and statutory cities to agree to jointly maintain public cemeteries, if each has a minimum market value of \$2 million. The minimum market value requirement would be based on estimated, rather than taxable, market value. This law limits the maximum expenditure by each governmental unit to no more than \$10,000 per year.
- 85 City improvement fund; taconite cities.** Modifies the minimum requirement (\$2.5 million) of taconite and iron ore value that permits a city to establish a permanent improvement fund to being based on estimated, rather than taxable, market value.
- 86 Taconite cities improvement fund levy limit.** Converts calculation of the levy limits for the permanent improvement fund for taconite cities from 0.08059 percent of taxable market value to estimated market value.
- 87 Acceptance of 1943 law applying to cities with high concentrations of iron ore value.** Modifies references in the acceptance section of an old law, regulating financial practices, which applied to cities with more than one-half of their value in unmined iron ore value, to refer to estimated market value. Note: this law is likely obsolete, since no city has sufficient iron ore value to qualify.
- 88 Metropolitan Council debt limit.** Converts the Metropolitan Council's debt limit from 0.01209 percent of taxable market value to estimated market value.
- 89 School district debt limits; adjustment for detached airport property.** Converts the statute that adjusts school district debt limits for districts affected by airport detachments (this affects both the MSP and Holman Field airports) from taxable market value to estimated market value. In addition, the language of the statute is updated to reflect that these detachments have already occurred. (The statutory language is written to apply to future detachments.)
- 90 Metropolitan Airports Commission (MAC); levy limit for general budget purposes.** Converts the MAC's levy limit for general budget purposes from 0.00806 percent of taxable market value to estimated market value. MAC has not levied property taxes for any purpose in over 40 years.
- 91 MAC general obligation bonding; additional levy limit.** Converts the MAC additional levy limit (beyond what is necessary to pay its general obligation revenue bonds) from

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0.00121 percent of taxable value to estimated market value.

- 92 MAC general levy limit.** Converts the MAC's levy limit from 0.00806 percent of taxable market value to estimated market value.
- 93 Metropolitan Mosquito Control Commission (MMCC); levy limit.** Converts the rate of growth in the MMCC's levy limit from the growth in its taxable market value to the growth in estimated market value.
- 94 Metro area fiscal disparities; adjusted market value.** Defines "adjusted market value" for the purposes of the metropolitan area fiscal disparities law to be taxable market value, adjusted by the assessment sales ratio. This change confirms existing practice, which is contrary to the statute's use of estimated market value.
- 95 Metro area fiscal disparities; fiscal capacity.** Clarifies that fiscal capacity under the metropolitan area fiscal disparities law is based on adjusted market value.
- 96 Metro area fiscal disparities; average fiscal capacity.** Clarifies that average fiscal capacity under the metropolitan area fiscal disparities law is based on adjusted market value.
- 97 Metro area fiscal disparities; net tax capacity.** Clarifies that net tax capacity under the metropolitan area fiscal disparities law is based on taxable market value.
- 98 Metro area fiscal disparities; adjustment of values.** Eliminates the mandate that limits on levies, aid, taxes, debt, or salary based on values be adjusted to reflect the effect of the fiscal disparities law. (Most of these limits will be based on estimated market value, which does not reflect the effects of fiscal disparities.) The section also clarifies computation of fiscal capacity (used to compute distributions) to be consistent with administrative practices.
- 99 City CIP bonds.** Converts the limit that applies under the city capital improvement program (CIP) bond law from 0.16 percent of taxable market value to estimated market value. CIP bonds may be issued without an election, but are subject to a reverse referendum requirement.
- 100 General net debt limit.** Converts the general net debt limit (applies to municipalities other than school districts and first-class cities) from three percent of taxable market value to estimated market value.
- 101 Net debt limit; first-class cities.** Converts the net debt limit that applies to first-class cities from percentages of taxable market value to estimated market value.
- 102 Net debt limit; school districts.** Converts the net debt limit that applies to school districts from 15 percent of taxable market value to estimated market value and clarifies the values may be adjusted by the assessor's sales ratio, if that results in a higher limit.
- 103 Refunding bonds; referendum exemption.** Converts the debt threshold that allows a city, county, town, or school to issue refunding bonds without holding an election from 1.62 percent of taxable market value to estimated market value.
- 104 Bonds qualifying for State Board of Investment (SBI) purchase.** Converts the maximum

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limit on Minnesota municipal bond purchases by SBI from 3.63 percent of the taxable market value of the issuer to estimated market value.

- 105 Local government aid (LGA); ANTC.** Updates the reference to city net tax capacity in the LGA statute to the recodified section (under the Revisor’s instruction in section 111) that provides for calculation of ANTCs.
- 106 Commercial-industrial percentage.** Requires the commercial-industrial percentage factor in the LGA formula to be based on the estimated market value of commercial-industrial property relative to the city’s total estimated market value.
- 107 County program aid; ANTC.** Updates the reference to county net tax capacity in the county program aid statute to the recodified section (under the Revisor’s instruction in section 111) that provides for calculation of ANTCs.
- 108 County jail bonds; referendum exemption.** Converts the annual tax levy permitted to pay county jail bonds issued without an election from 0.09671 percent of taxable market value to estimated market value.
- 109 County jail leases; rent limit.** Converts the rent limit in the law permitting lease-revenue bond financing of county jails from 0.1 percent of taxable market value to estimated market value.
- 110 Definition of estimated market value.** Adds a definition of “estimated market value” to the general definition section of the statutes (section 645.44). This definition points to (cross references) section 25’s definition and applies for purposes of levy, tax, spending, and debt limits and calculation of aid payments.
- 111 Revisor’s instruction.** Directs the Revisor of Statutes to recodify the statute governing calculation of ANTCs in the property tax statutes (chapter 273). This law is now codified in the school finance law, but largely relates to computation of aids paid to cities and counties and is the primary responsibility of the commissioner of revenue.
- 112 Repealer.** Repeals the following statutes:

<b>Section</b>	<b>Description</b>
276A.01, subd. 11	Iron Range fiscal disparities law, definition of “valuation”; this is replaced by the definition of “adjusted market value” as redefined in section 36.
473F.02, subd. 13	Metropolitan area fiscal disparities law, definition of “valuation”; this is replaced by the definition of “adjusted market value” as redefined in section 95.
477A.011, subd. 11	Definition of “equalized market value” in the local government aid statute; this is replaced by the use of adjusted net tax capacity, the measure that is actually used in the

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	formula.
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**113** **Effective date.** Provides the changes affecting the computation of debt limits are effective the day following final enactment, while changes that affect levy and tax limitations or aid computations are effective for taxes payable in 2014.

**Article 15: Department Income, Franchise and Estate Taxes**

**Overview**

Makes changes recommended by the Department of Revenue:

- Requires all regulated investment companies to report municipal bond interest and dividend payments.
- Clarifies that various estimated tax provisions apply both to C corporations and entities subject to the unrelated business income tax.
- Makes clarifying changes to the recapture tax enacted as part of the estate tax exclusion for qualifying small business and farm property, effective retroactively to the original effective date of the exclusion.
- Increases the payment threshold for eight percent withholding on payments to out-of-state construction contractors from \$50,000 of cumulative payments to contracts exceeding \$50,000.
- Strikes references to expired federal provisions.

- 1** **Recapture tax – return required.** Moves the return filing requirement for the recapture tax from the estate tax chapter to chapter 289A, the chapter of the statutes that provides general tax and administrative provisions. The recapture tax applies when a qualifying heir of a family business or farm fails to satisfy the three-year qualifying use requirement, (Sections 3 to 6 similarly relocate existing provisions in chapter 291 to chapter 289A or place new administrative provisions related to the recapture tax in chapter 289A.)
- 2** **Municipal bond interest reporting; regulated investment companies.** Requires regulated investment companies to report payment of municipal bond interest and dividends without regard to whether the company is required to register under chapter 80A, the Minnesota Securities Act.
- 3** **Recapture tax – informational return required.** Requires qualified heirs to file two informational returns during the three-year period after a decedent’s death if the decedent excluded from the taxable estate qualified small business or qualified farm property. These returns are due 24 months and 36 months after the decedent’s death.
- 4** **Recapture tax – return due date.** Specifies that the due date for the recapture tax return is six months after a disqualifying cessation of the trade or business or a disqualifying disposition of the property that was excluded from the taxable estate.
- 5** **Regular estate tax – payment due date.** Clarifies that the estate tax payment due date relates only to the regular estate tax (as distinguished from the recapture tax, which is covered

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by section 6).

- 6 Recapture tax – payment due date.** Provides that the recapture tax payment is due on or before six months after a disqualifying cessation of the trade or business or a disqualifying disposition of the property that was excluded from the taxable estate.
- 7 Estimated tax payments; short taxable year.** Along with sections 8, 9, and 10 clarifies that estimated tax provisions apply to both C corporations that pay corporate franchise tax and exempt entities that pay unrelated business income tax. Under present law, estimated tax payment requirements for businesses with short taxable years reference “entity” but not “corporation.” Effective the day following final enactment.
- 8 Underpayment of estimated tax.** Clarifies that interest on underpayments of estimated tax is added to the tax due for both C corporations that pay corporate franchise tax and exempt entities that pay unrelated business income tax. Under present law, the interest on underpayments provision references “corporation” but not “entity.” Effective the day following final enactment.
- 9 Required installments; estimated tax.** Clarifies that the statute outlining the calculation of required installments of estimated tax applies to both C corporations that pay corporate franchise tax and exempt entities that pay unrelated business income tax. Present law references “entity” but not “corporation” in some sentences, and “corporation” but not “entity” in others. Effective the day following final enactment.
- 10 Failure to file estimated tax.** Clarifies that the statute defining the time from which an underpayment of estimated tax runs applies to both C corporations that pay corporate franchise tax and exempt entities that pay unrelated business income tax. Present law references “entity,” but not “corporation.” Effective the day following final enactment.
- 11 Withholding; out-of-state construction contractors.** Changes the payment threshold that triggers the eight percent withholding requirement on payments to out-of-state construction contractors from \$50,000 of cumulative payments during the year to contracts exceeding \$50,000. Effective for payments made to contractors after December 31, 2013.

## **Article 16: Department Sales and Use and Special Taxes**

### **Overview**

This article makes changes in sales and special taxes provisions, as recommended by the Department of Revenue (DOR).

- 1 Deed tax; partitions.** Defines a real property “partition” for purposes of the deed tax exemption for partition deeds (i.e., a deed to or from a co-owner partitioning their undivided interest in the same piece of real property). The definition provides, in effect, that the exemption only applies to a deed, or that portion of a deed, that divides a contiguous tract of co-owned real property into physically separate tracts owned individually by each of the co-owners.

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**Effective date:** Day following final enactment.

- 2 Sales and use tax.** Eliminates the accelerated remittance schedules for vendors with annual sales tax collections of at least \$120,000 for all months except for June collections. Effective the day following final enactment. These early remittance requirements became inactive after the full statutory amounts for the budget reserve and cash flow accounts were restored in the February 2012 economic forecast.

**Effective date:** Day following final enactment.

- 3 Exemption certificate taken in good faith.** Defines the term “taken in good faith” for purposes of seller relief from sales tax liability when a seller obtains a fully completed exemption certificate within 120 days after a request by the commissioner for substantiation of the exemption. Also clarifies that the relief is not available if the commissioner finds that the seller:

- knows or has reason to know that the information relating to the exemption was materially false; or
- knowingly participated in activity intended to purposefully evade the tax due.

This is current practice but putting the definition in statute is necessary for conformity with the Streamlined Sales Tax Agreement.

**Effective date:** Retroactively from January 1, 2013.

- 4 Wholesale sales price; tobacco products.** Modifies the definition of wholesale sales price by replacing references to price lists in current law with a reference to the price at which a distributor purchases the tobacco product.

**Effective date:** Purchases made after December 31, 2013.

- 5 Beer excise tax; small brewer credit.** Ties allowance of the credit for small brewers to the fiscal year (rather than calendar year).

**Effective date:** Day following final enactment.

- 6 Nonadmitted insurance tax.** Includes purchasing groups that purchase insurance directly from a nonadmitted insurer in the entities subject to tax.

**Effective date:** Premiums received after December 31, 2013.

- 7 Retaliatory provisions.** Includes life insurance companies in the list of entities that are covered by the retaliatory tax provisions.

**Effective date:** Day following final enactment.

- 8 Tax on purchasing groups.** Removes the tax on purchasing groups that purchase insurance directly from a nonadmitted insurer. Section 6 moves the tax on these groups to tax that applies to entities that purchase insurance from nonadmitted insurers.

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**Effective date:** Premiums received after December 31, 2012.

- 9 Purchasing groups due date.** Eliminates the requirement that purchasing groups file biannual returns. Section 10 provides for filing of annual returns.

**Effective date:** Premiums received after December 31, 2013.

- 10 Purchasing groups due date.** Changes purchasing groups' due date for filing returns from twice a year to once a year. This is consistent with the annual return due for other entities that buy directly from unauthorized insurers rather than from licensed insurance companies or surplus lines brokers.

**Effective date:** Premiums received after December 31, 2013.

- 11 Repealer.** Repeals the penalty and safe harbor provisions related to the early remittance schedules for sales tax eliminated in section 2.

## **Article 17: Department of Revenue Property and Minerals Provisions**

### **Overview**

Makes miscellaneous technical and policy changes to property tax law recommended by the Department of Revenue, including:

- Allowing assessors to do appraisals related to land exchanges;
- Clarifying the format of notices related to delinquent property taxes; and
- Providing that certain transfers of land enrolled in the rural preserves program do not trigger payment of back-taxes.

- 1 Definitions.** Modifies a cross reference due to the change made in section 10.
- 2 Taxes credited to state airports fund.** Clarifies that the commissioner of revenue collects the air flight property tax. Current law only requires the tax to be credited to the state airports fund but does not specifically require the commissioner to collect the tax.
- 3 Prohibited activity (assessor's duties).** Modifies the list of nontax property appraisals that assessors may perform within their jurisdictions, so that county assessors are allowed to do appraisals related to land exchanges.
- 4 Authority; air flight property tax penalties.** Adds a citation to allow the commissioner to abate air flight property tax late payment penalties, clarifying that the commissioner has the power to abate both late payment and late filing penalties upon finding reasonable cause.
- 5 Exempt property used by private entity.** Clarifies that taxes on the use of federal real property are assessed as a personal property tax against the user.



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- 6 Net proceeds tax, property tax exemption.** Deletes the exemption from property tax for “direct reduced ore” under the net proceeds tax. Direct reduced ore is an iron ore product, which will not be the net proceeds tax that only applies to nonferrous ores, metals, or minerals.
- 7 Definition of person for property taxes.** Clarifies that for property tax purposes, the term “person” includes many different kinds of entities.
- 8 Additional taxes (ownership changes for property in rural preserves).** Allows certain new owners of property enrolled in the rural preserves program to qualify without an intervening period of disqualification. This avoids deferred taxes becoming payable when both the prior owner and the new owner qualify. Provides that the new owner will qualify in the following situations: (1) a transfer of the property to a surviving owner due to death; (2) a transfer of the property to a spouse by reason of marriage or divorce; or (3) a transfer of the property to a trust or authorized farming partnership, corporation, or company when the same people retain the same beneficial interests.
- 9 Class 2 agricultural classification.** Clarifies that (a) intensive livestock and poultry confinement operations are agricultural even if less than ten acres in size, (b) land must have been agricultural prior to enrollment in a conservation program in order to retain agricultural classification, and (c) certain 11-acre parcels fall under qualification criteria for ten-acre parcels.
- 10 Class 4 residential nonhomestead classification.** Eliminates a requirement that assessors separately report residential nonhomestead properties located on farms (but makes no changes in how those properties are classified or taxed).
- 11 Tax-exempt property; lease.** Clarifies that the tax on leased exempt property applies in the case of property owned by a local unit of government.
- 12 Administrative appeals; railroad and utility valuations.** Allows railroads, until the earlier of June 15 or ten days after the date of the valuation, and utilities, until the earlier of July 1 or ten days after the valuation, to file an administrative appeal of their property tax valuations. Current law allows both railroads and utilities to file appeals until May 15 or ten days after the date of the valuation, whichever is earlier.
- 13 Definition of rural area; electrical cooperatives per capita tax.** Amends the definition of rural area to refer to “statutory cities” and “home rule charter cities.” This technical change is necessary because the current statute refers only to “incorporated city,” a designation that no longer exists. All cities are now either statutory cities or home rule charter cities.
- 14 Notice of delinquent property tax.** Eliminates obsolete text from the notice regarding the various times within which the owners of different types of property may avoid a forfeiture of the property by paying the taxes, costs, and interest. Instructs the commissioner of revenue to provide a narrative description of the various redemption periods that the respective county auditors will include in the notice. Effective for notices required beginning in 2014.

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- 15 Approval; recording (senior deferral program).** Allows the commissioner to prescribe the form of the lien notices recorded under this program, eliminating the need for the lien notices to be notarized or contain a notation that the document was drafted by the commissioner of revenue.
- 16 Nonferrous occupation tax, mining.** Defines the term “hydrometallurgical processes” that is used in nonferrous minerals tax.
- 17 Net proceeds tax.** Modifies the terminology used in the distribution language for the net proceeds tax to be consistent with the language imposing the tax.
- 18 Public corporation; listed powers (duties of assessors).** Provides that county assessors need not be licensed as real estate appraisers in order to do land exchange appraisals as provided in section 3.
- 19 Repealer.** Repeals obsolete provisions relating to (a) filing a list of leased tangible personal property with the commissioner of revenue, (b) limited market value, and (c) a market value exclusion for property treated for lead paint removal.

### **Article 18: Department of Revenue Miscellaneous Provisions**

#### **Overview**

Makes miscellaneous changes recommended by the Department of Revenue:

- Provides that the state is not liable to holders of warrants voided when the commissioner issues a replacement warrant.
- Provides that notices sent via email by the commissioner are sufficient if the taxpayer agreed to accept notices electronically.
- Replaces explicit statements of the time for running of interest on penalties in the various tax chapters with a reference to a general definition in chapter 270C, which provides that interest on penalties runs from the time the penalty was assessable.
- Modifies definitions of various fuels in the petroleum tax chapter to refer to new standards adopted by the American Society for Testing and Materials (ASTM).

- 1 Void warrants.** Clarifies that a holder of a void warrant is not a holder-in-due-course and may not recover against the state. Effective the day following final enactment.
- 2 Notice by electronic means.** Provides that notice of determinations and actions of the

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commissioner sent by electronic means is sufficient notice if the taxpayer or other person agrees to accept notice electronically. Effective the day following final enactment.

- 3** **Penalty for failure to pay electronically; interest.** Replaces language requiring interest on the penalty for failure to pay by electronic means from the date the payment was due with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 4** **Interest on penalties; mortgage registry and deed tax.** Replaces language requiring interest on penalties under the mortgage registry and deed tax chapter (chapter 287) to run from the date the payment was required, including any extensions, with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 5** **Interest on penalties; civil penalties under chapter 289A.** Replaces language requiring interest on civil penalties under chapter 289A to run from the date the payment was required, including any extensions, with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Chapter 289A provides for administration of taxes under chapters 290, 290A, 291, 297A, and parts of 298, including the individual income, withholding, corporate franchise, estate, sales and minerals taxes administered by the state, and the property tax refund. Effective the day following final enactment.
- 6** **Interest on penalties; understatement of liability under chapter 289A.** Replaces language requiring interest on the penalty for substantial understatement of liability for taxes administered under chapter 289A, except for the sales tax, to run from the date the tax was underpaid with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 7** **Aviation gasoline definition; petroleum taxes.** Modifies the definition of aviation gasoline to refer to a new standard recently adopted by the American Society for Testing and Materials (ASTM).
- 8** **Aviation turbine fuel and jet fuel definition; petroleum taxes.** Modifies the definition of aviation turbine fuel and jet fuel to refer to a new standard recently adopted by the ASTM.
- 9** **Biobutanol definition; petroleum taxes.** Provides a new definition of biobutanol by refer to the ASTM standard for use in the petroleum tax chapter.
- 10** **Diesel fuel oil definition; petroleum taxes.** Modifies the definition of diesel fuel oil to refer to a new standard recently adopted by the ASTM.
- 11** **E85 definition; petroleum taxes.** Modifies the definition of E85 (ethanol) used in the petroleum tax chapter to refer to a new standard recently adopted by the ASTM.
- 12** **Denatured ethanol definition; petroleum taxes.** Modifies the definition of denatured ethanol to refer to a new standard recently adopted by the ASTM.

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- 13 Gasoline definition; petroleum taxes.** Modifies the definition of gasoline to refer to new standards recently adopted by the ASTM.
- 14 Blended gasoline definition; petroleum taxes.** Modifies the definition of blended gasoline to refer to a new standard recently adopted by the ASTM.
- 15 Heating fuel oil definition; petroleum taxes.** Modifies the definition of heating fuel oil to refer to a new standard recently adopted by the ASTM.
- 16 Penalty for failure to pay; petroleum taxes.** Clarifies that interest on penalties for failure to pay taxes or fees under the petroleum tax accrues until the tax or fee is paid. Effective the day following final enactment.
- 17 Interest on penalties; operating without a license.** Provides that the penalty for operating without a license under the petroleum tax chapter bears interest as provided in section 270C.40, subdivision 3. Effective the day following final enactment.
- 18 Interest on penalty for unpaid motor vehicle sales tax.** Clarifies that interest on any additional tax and penalties under the motor vehicle sales tax chapter runs from the date the payment tax or penalty was assessable, set by reference to section 270C.40, subdivision 3, until the tax or penalty is paid. Effective the day following final enactment.
- 19 Interest on civil penalties; chapter 297E (gambling taxes).** Replaces language requiring interest on civil penalties under the gambling tax chapter (297E) from the date the payment was required, including any extensions, with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 20 Interest on penalty for unpaid cigarette and tobacco taxes.** Replaces language requiring interest on the penalty for unpaid cigarette and tobacco taxes to run from the date the payment was required with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 21 Interest on civil penalties under chapter 297F (cigarette and tobacco taxes).** Replaces language requiring interest on civil penalties under the cigarette and tobacco tax chapter (297F) to run from the date the payment was required, including any extensions, with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 22 Interest on penalty for unpaid liquor taxes.** Replaces language requiring interest on the penalty for unpaid liquor taxes to run from the date the payment was required with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 23 Interest on civil penalties under chapter 297G (liquor taxes).** Replaces language requiring interest on civil penalties under the liquor tax chapter (297G) from the date the payment was required, including any extensions, with a reference to section 270C.40, subdivision 3, which

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provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.

- 24 Interest on penalty; insurance premiums taxes.** Replaces language requiring interest on penalties under the insurance premiums tax chapter (chapter 297I) to run from the date the return or payment was required to be filed or paid with a reference to section 270C.40, subdivision 3, which provides that interest on penalties runs from the time the penalty was assessable. Effective the day following final enactment.
- 25 Interest on repayment of JOBZ tax incentives.** Provides that any additional taxes and penalties due on repayment of JOBZ tax incentives bears interest and for interest on penalties to run from the date assessable, by reference to section 270C.40, subdivision 3, to the date of payment. Effective the day following final enactment.
- 26 Interest on repayment of biotechnology and health sciences industry zone tax incentives.** Provides that any additional taxes and penalties due on repayment of biotechnology and health sciences industry zone tax incentives bears interest and for interest on penalties to run from the date assessable, by reference to section 270C.40, subdivision 3, to the date of payment. Effective the day following final enactment.