

(5) public and private agencies responsible for administering publicly financed assistance programs for the purpose of monitoring the eligibility of the program's recipients;

(6) the department of labor and industry on an interchangeable basis with the department subject to the following limitations and regardless of any law to the contrary:

(i) the department must have access to private data on individuals and nonpublic data not on individuals for uses consistent with the administration of its duties under sections 268.03 to 268.23; and

(ii) the department of labor and industry must have access to private data on individuals and nonpublic data not on individuals for uses consistent with the administration of its duties under Minnesota law;

(7) the department of trade and economic development may have access to private data on individual employers and nonpublic data not on individual employers for its internal use only; when received by the department of trade and economic development, the data remain private data on individuals or nonpublic data;

(8) local and state welfare agencies for monitoring the eligibility of the data subject for assistance programs, or for any employment or training program administered by those agencies, whether alone, in combination with another welfare agency, or in conjunction with the department or to monitor and evaluate the statewide Minnesota family investment program by providing data on recipients and former recipients of food stamps, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;

(9) local, state, and federal law enforcement agencies for the sole purpose of ascertaining the last known address and employment location of the data subject, provided the data subject is the subject of a criminal investigation; ~~and~~

(10) the federal Immigration and Naturalization Service shall have access to data on specific individuals and specific employers provided the specific individual or specific employer is the subject of an investigation by that agency; and

(11) the department of health may have access to private data on individuals and nonpublic data not on individuals solely for the purposes of epidemiologic investigations.

(b) Data on individuals and employers that are collected, maintained, or used by the department in an investigation pursuant to section 268.182 are confidential as to data on individuals and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3 and 13, and must not be disclosed except pursuant to statute or court order or to a party named in a criminal proceeding, administrative or judicial, for preparation of a defense.

(c) Tape recordings and transcripts of recordings of proceedings conducted in accordance with section 268.105 and exhibits received into evidence at those proceedings are private data on individuals and nonpublic data not on individuals and must be disclosed only pursuant to the administration of section 268.105, or pursuant to a court order.

(d) The department may disseminate an employer's name, address, industry code, occupations employed, and the number of employees by ranges of not less than 100 for the purpose of assisting individuals using the Minnesota workforce center system in obtaining employment.

(e) The general aptitude test battery and the nonverbal aptitude test battery as administered by the department are private data on individuals or nonpublic data.

(f) Data gathered by the department pursuant to the administration of sections 268.03 to 268.23 must not be made the subject or the basis for any suit in any civil proceedings, administrative or judicial, unless the action is initiated by the department.

Sec. 26. Minnesota Statutes 1998, section 270B.14, subdivision 8, is amended to read:

Subd. 8. [EXCHANGE BETWEEN DEPARTMENTS OF LABOR AND INDUSTRY AND REVENUE.] The departments of labor and industry and revenue may exchange information as follows:

- (1) data used in determining whether a business is an employer or a contracting agent;
- (2) taxpayer identity information relating to employers and employees for purposes of supporting tax administration and chapter 176; and
- (3) data to the extent provided in and for the purpose set out in section 176.181, subdivision 8.

Sec. 27. Minnesota Statutes 1998, section 466.03, is amended by adding a subdivision to read:

Subd. 21. [GEOGRAPHIC INFORMATION SYSTEMS (GIS) DATA.] (a) Any claim against a municipality, based on alleged or actual inaccuracies in geographic information systems data, arising from the public's use of GIS data, if the municipality provides a disclaimer of the accuracy of the information at any point of initial contact with a geographic information system to which the public has general access.

(b) Geographic information systems data is government data subject to the presumption of section 13.01, subdivision 3. GIS data is data generated by a computer database or system that is designed to electronically capture, organize, store, update, manipulate, analyze, and display all forms of geographically referenced information that is compiled, from private or public sources, either alone or in cooperation with other public or private entities, for use by a municipality. GIS data is accurate for its intended use by a municipality and may be inaccurate for other uses.

Sec. 28. Minnesota Statutes 1998, section 609.115, subdivision 5, is amended to read:

Subd. 5. [REPORT TO COMMISSIONER OR LOCAL CORRECTIONAL AGENCY.] If the defendant is sentenced to the commissioner of corrections, a copy of any report made pursuant to this section and not made by the commissioner shall accompany the commitment. If the defendant is sentenced to a local correctional agency or facility, a copy of the report must be provided to that agency or facility.

Sec. 29. Laws 1999, chapter 216, article 2, section 27, subdivision 1, is amended to read:

Subdivision 1. [PILOT PROJECT AUTHORIZED; PURPOSE.] The fourth judicial district may establish a domestic fatality review team as a 30-month pilot project to review domestic violence deaths that have occurred in the district. The team may review cases in which prosecution has been completed or the prosecutorial authority has decided not to pursue the case. The purpose of the review team is to assess domestic violence deaths in order to develop recommendations for policies and protocols for community prevention and intervention initiatives to reduce and eliminate the incidence of domestic violence and resulting fatalities.

Sec. 30. Laws 1999, chapter 216, article 2, section 27, is amended by adding a subdivision to read:

Subd. 3a. [DUTIES; ACCESS TO DATA.] (a) The domestic fatality review team shall collect, review, and analyze death certificates and death data, including investigative reports, medical and counseling records, victim service records, employment records, child abuse reports, or other information concerning domestic violence deaths, survivor interviews and surveys, and other information deemed by the team as necessary and appropriate concerning the causes and manner of domestic violence deaths.

(b) The review team has access to the following not public data, as defined in Minnesota Statutes, section 13.02, subdivision 8a, relating to a case being reviewed by the team: inactive law enforcement investigative data under Minnesota Statutes, section 13.82; autopsy records and coroner or medical examiner investigative data under Minnesota Statutes, section 13.83; hospital, public health, or other medical records of the victim under Minnesota Statutes, section 13.42; records under Minnesota Statutes, section 13.46, created by social service agencies that

provided services to the victim, the alleged perpetrator, or another victim who experienced or was threatened with domestic abuse by the perpetrator; and child maltreatment records under Minnesota Statutes, section 626.556, relating to the victim or a family or household member of the victim. Access to medical records under this paragraph also includes records governed by Minnesota Statutes, section 144.335.

(c) As part of any review, the domestic fatality review team may compel the production of other records by applying to the district court for a subpoena, which will be effective throughout the state according to the Rules of Civil Procedure.

Sec. 31. Laws 1999, chapter 216, article 2, section 27, is amended by adding a subdivision to read:

Subd. 3b. [CONFIDENTIALITY; DATA PRIVACY.] A person attending a domestic fatality review team meeting may not disclose what transpired at the meeting, except to carry out the purposes of the review team or as otherwise provided in this subdivision. The review team may disclose the names of the victims in the cases it reviewed. The proceedings and records of the review team are confidential data as defined in Minnesota Statutes, section 13.02, subdivision 3, or protected nonpublic data as defined in Minnesota Statutes, section 13.02, subdivision 13, regardless of their classification in the hands of the person who provided the data, and are not subject to discovery or introduction into evidence in a civil or criminal action against a professional, the state or a county agency, arising out of the matters the team is reviewing. Information, documents, and records otherwise available from other sources are not immune from discovery or use in a civil or criminal action solely because they were presented during proceedings of the review team. This section does not limit a person who presented information before the review team or who is a member of the panel from testifying about matters within the person's knowledge. However, in a civil or criminal proceeding, a person may not be questioned about the person's good faith presentation of information to the review team or opinions formed by the person as a result of the review team meetings.

Sec. 32. Laws 1999, chapter 216, article 2, section 27, is amended by adding a subdivision to read:

Subd. 3c. [IMMUNITY.] Members of the fourth judicial district domestic fatality advisory board, members of the domestic fatality review team, and members of each review panel, as well as their agents or employees, are immune from claims and are not subject to any suits, liability, damages, or any other recourse, civil or criminal, arising from any act, proceeding, decision, or determination undertaken or performed or recommendation made by the domestic fatality review team, provided they acted in good faith and without malice in carrying out their responsibilities. Good faith is presumed until proven otherwise and the complainant has the burden of proving malice or a lack of good faith. No organization, institution, or person furnishing information, data, testimony, reports, or records to the domestic fatality review team as part of an investigation is civilly or criminally liable or subject to any other recourse for providing the information.

Sec. 33. [REPEALER.]

Minnesota Statutes 1998, section 62D.14, subdivision 4, is repealed.

Sec. 34. [EFFECTIVE DATE.]

Section 9 is effective July 1, 2001. Section 27 is effective the day following final enactment and applies to causes of action arising on or after that date."

Delete the title and insert:

"A bill for an act relating to government data practices; classifying data; providing for access to and sharing of data; authorizing certain restrictions on access to data; clarifying definitions and application provisions; modifying penalty provisions; providing for electronic copies of data; classifying and regulating disclosure of information held by health maintenance organizations; prohibiting monitoring of persons requesting access to public data; requiring government entities to have a data practices compliance official; limiting tort liability for disclosure of geographic information systems data; providing for administrative and civil remedies; amending Minnesota Statutes 1998,

sections 13.01, by adding subdivisions; 13.02, by adding a subdivision; 13.03, subdivision 5; 13.05, by adding subdivisions; 13.08, subdivision 4; 13.41, subdivision 2; 13.84, subdivisions 5 and 6; 62D.14, by adding a subdivision; 72A.491, subdivision 17; 119A.376, by adding a subdivision; 119A.44, by adding a subdivision; 119A.50; 270B.14, subdivision 8; 466.03, by adding a subdivision; and 609.115, subdivision 5; Minnesota Statutes 1999 Supplement, sections 13.03, subdivision 3; 13.32, subdivision 7; 13.99, subdivision 19, and by adding a subdivision; 256.978, subdivision 1; and 268.19; Laws 1999, chapter 216, article 2, section 27, subdivision 1, and by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapters 13; and 62D; repealing Minnesota Statutes 1998, section 62D.14, subdivision 4."

We request adoption of this report and repassage of the bill.

House Conferees: MARY LIZ HOLBERG, STEVE SMITH AND PHIL CARRUTHERS.

Senate Conferees: DON BETZOLD, JANE B. RANUM AND DAVID L. KNUTSON.

Holberg moved that the report of the Conference Committee on H. F. No. 3501 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 3501, A bill for an act relating to labor; modifying a provision governing exchange of information between the departments of labor and industry and revenue; amending Minnesota Statutes 1998, section 270B.14, subdivision 8.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Holsten	Luther	Pawlenty	Swenson
Abrams	Dorn	Howes	Mahoney	Paymar	Sykora
Anderson, B.	Entenza	Huntley	Mares	Pelowski	Tingelstad
Anderson, I.	Erhardt	Jaros	Mariani	Peterson	Tomassoni
Bakk	Erickson	Jennings	Marko	Pugh	Trimble
Biernat	Finseth	Johnson	McCollum	Rest	Tuma
Bishop	Folliard	Juhnke	McElroy	Reuter	Tunheim
Boudreau	Fuller	Kahn	McGuire	Rhodes	Van Dellen
Bradley	Gerlach	Kalis	Milbert	Rifenberg	Vanderveer
Broecker	Gleason	Kelliher	Molnau	Rostberg	Wagenius
Buesgens	Goodno	Kielkucki	Mulder	Rukavina	Wejcmán
Carlson	Gray	Knoblach	Mullery	Schumacher	Wenzel
Carruthers	Greenfield	Koskinen	Murphy	Seagren	Westerberg
Cassell	Greiling	Krinkie	Ness	Seifert, J.	Westfall
Chaudhary	Gunther	Kubly	Nornes	Seifert, M.	Westrom
Clark, J.	Haake	Kuisle	Olson	Skoe	Wilkin
Clark, K.	Haas	Larsen, P.	Opatz	Skoglund	Winter
Daggett	Hackbarth	Larson, D.	Osskopp	Smith	Workman
Davids	Harder	Lenczewski	Osthoff	Solberg	Spk. Sviggum
Dawkins	Hasskamp	Leppik	Otremba	Stang	
Dehler	Hilty	Lieder	Ozment	Storm	
Dempsey	Holberg	Lindner	Paulsen	Swapinski	

The bill was repassed, as amended by Conference, and its title agreed to.

CONFERENCE COMMITTEE REPORT ON H. F. NO. 3534

A bill for an act relating to agriculture; changing certain requirements and enforcement procedures for agricultural contracts; amending Minnesota Statutes 1998, sections 17.90, by adding a subdivision; and 17.91; proposing coding for new law in Minnesota Statutes, chapter 17.

May 1, 2000

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

We, the undersigned conferees for H. F. No. 3534, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 3534 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 17.90, is amended by adding a subdivision to read:

Subd. 1a. [AGRICULTURAL CONTRACT.] "Agricultural contract" means any written contract between a contractor and a producer.

Sec. 2. Minnesota Statutes 1998, section 17.90, is amended by adding a subdivision to read:

Subd. 3a. [LEGIBLE TYPE.] "Legible type" means a typeface at least as large as ten-point modern type, one-point leaded.

Sec. 3. Minnesota Statutes 1998, section 17.90, subdivision 4, is amended to read:

Subd. 4. [PRODUCER.] "Producer" means a person who produces or causes to be produced an agricultural commodity in a quantity beyond the person's own family use and:

(1) is able to transfer title to another; or

(2) provides management, labor, machinery, facilities, or any other production input for the production of an agricultural commodity.

Sec. 4. Minnesota Statutes 1998, section 17.91, is amended to read:

17.91 ~~[MEDIATION; ARBITRATION REQUIRED LANGUAGE.]~~

Subdivision 1. [MEDIATION; ARBITRATION.] A contract for an agricultural commodity between a contractor and a producer must contain language providing for resolution of contract disputes by either mediation or arbitration. If there is a contract dispute, either party may make a written request to the commissioner for mediation or arbitration services as specified in the contract, to facilitate resolution of the dispute.

Subd. 2. [WRITTEN DISCLOSURE OF RISKS.] An agricultural contract must be accompanied by a clear written disclosure setting forth the nature of the material risks faced by the producer if the producer enters into the contract. The statement must meet the plain language requirements of section 17.943. The statement may be in the form of a written statement or checklist and may be developed in cooperation with producers or producer organizations. A

contractor may submit a sample material risk disclosure statement to the commissioner for examination. If the commissioner approves of the statement or fails to respond within 30 days of receipt of the statement, the statement will be deemed to comply with this subdivision and with the plain language requirements of section 17.943.

Sec. 5. [17.941] [PRODUCER'S RIGHT TO REVIEW.]

A producer may cancel an agricultural contract by mailing a written cancellation notice to the contractor within three business days after the producer receives a copy of the signed contract, or before a later cancellation deadline if a later deadline is specified in the contract. The producer's right to cancel, the method by which the producer may cancel, and the deadline for canceling the contract shall be clearly disclosed in every agricultural contract.

Sec. 6. [17.942] [COVER SHEET REQUIREMENTS.]

Subdivision 1. [MANDATORY COVER PAGE.] An agricultural contract entered into or substantively amended after January 1, 2001, must contain as the first page, or first page of text if it is preceded by a title page or pages, a cover sheet as provided in this section.

Subd. 2. [REQUIREMENTS.] The cover sheet or sheets must comply with section 17.943, and must contain the following:

(1) a brief statement that the document is a legal contract between the contractor and the producer;

(2) the statement "READ YOUR CONTRACT CAREFULLY. This cover sheet provides only a brief summary of your contract. This is not the contract and only the terms of the actual contract are legally binding. The contract itself sets forth, in detail, the rights and obligations of both you and the contractor. IT IS THEREFORE IMPORTANT THAT YOU READ YOUR CONTRACT CAREFULLY.";

(3) the written disclosure of material risks required by section 17.91, subdivision 2;

(4) a statement detailing, in plain language, the producer's right to review the contract as described in section 17.941; and

(5) an index of the major provisions of the contract and the pages on which they are found, including:

(i) the names of all parties to the contract;

(ii) the definition sections of the contract;

(iii) the provisions governing cancellation, renewal, or amendment of the contract by either party;

(iv) the duties or obligations of each party; and

(v) any provisions subject to change in the contract.

Sec. 7. [17.943] [CONTRACT FORMAT.]

Subdivision 1. [READABILITY.] An agricultural contract must be in legible type, appropriately divided and captioned by its various sections, and written in clear and coherent language using words and grammar that are understandable by a person of average intelligence, education, and experience within the industry.

Subd. 2. [EXCEPTIONS.] Subdivision 1 does not apply to particular words, phrases, provisions, or forms of agreement specifically required, recommended, or endorsed by a state or federal statute, rule, or regulation.

Subd. 3. [CUSTOMARILY USED TERMS.] An agricultural contract may include technical terms to describe the services or property which are the subject of the contract, if the terms are customarily used by producers in the ordinary course of business in connection with the services or property being described.

Sec. 8. [17.944] [REVIEW BY COMMISSIONER.]

Subdivision 1. [AGRICULTURAL CONTRACTS.] For purposes of this section and section 17.943, "agricultural contract" includes, where applicable, the cover sheet as defined in section 17.942, and material risk disclosure statement required by section 17.91, subdivision 2.

Subd. 2. [PROCESS OF REVIEW.] A contractor may submit an agricultural contract to the commissioner for review as to whether it complies with section 17.943. After reviewing the contract, the commissioner shall:

(1) certify that the contract complies with section 17.943;

(2) decline to certify that the contract complies with section 17.943 and note objections;

(3) decline to review the contract because the contract's compliance with section 17.943 is subject to pending litigation; or

(4) decline to review the contract because the contract is not subject to section 17.943.

Subd. 3. [FACTORS IN DETERMINING READABILITY.] In determining whether a contract or cover sheet is readable within the meaning of section 17.943, the commissioner shall consider at least the following factors:

(1) the simplicity of the sentence structure;

(2) the extent to which commonly used and understood words are employed;

(3) the extent to which esoteric legal terms are avoided;

(4) the extent to which references to other sections or provisions of the contract are minimized;

(5) the Flesch scale analysis readability score as outlined in section 72C.09;

(6) the extent to which clear definitions are used in the text of the contract; and

(7) additional factors relevant to the contract being easy to read and understand.

Subd. 4. [PROCESS NOT REVIEWABLE.] Actions of the commissioner under subdivision 1 are not subject to chapter 14 and are not appealable.

Subd. 5. [LIMITED EFFECT OF CERTIFICATION.] A contract certified under subdivision 1 is deemed to comply with section 17.943. Certification of a contract under subdivision 1 does not constitute an approval of the contract's legality or legal effect.

If the commissioner certifies a contract or fails to respond within 30 days of receipt of the contract, the contractor will have complied with sections 17.91 and 17.943, and the remedies stated in subdivisions 7 and 8 are not available.

Subd. 6. [REVIEW NOT REQUIRED.] Failure to submit a contract to the commissioner for review under subdivision 1 does not show a lack of good faith or raise a presumption that the contract violates section 17.943.

Subd. 7. [ENFORCEMENT REMEDIES.] A violation of section 17.943 is a violation subject to section 8.31, subdivision 1. The remedies in section 8.31, subdivisions 3 and 3a, are limited by section 17.9441.

Subd. 8. [REFORMATION.] (a) In addition to the remedies provided in section 8.31, a court reviewing an agricultural contract may change the terms of the contract or limit a provision to avoid an unfair result if it finds that:

(1) a material provision of the contract violates section 17.943;

(2) the violation caused the producer to be substantially confused about any of the rights, obligations, or remedies of the contract; and

(3) the violation has caused or is likely to cause financial detriment to the producer.

(b) If the court reforms or limits a provision of a contract, the court shall also make orders necessary to avoid unjust enrichment. Bringing a claim for relief under this subdivision does not entitle a producer to withhold performance of an otherwise valid contractual obligation. No relief may be granted under this subdivision unless the claim is brought before the obligations of the contract have been fully performed.

Sec. 9. [17.9441] [LIMITS ON REMEDIES.]

Subdivision 1. [PENALTIES.] In a proceeding in which civil penalties are claimed from a party for a violation of section 17.943, it is a defense to the claim that the party made a good faith and reasonable effort to comply with section 17.943.

Subd. 2. [ATTORNEY'S FEES.] A party who has made a good faith and reasonable effort to comply with section 17.943 may not be assessed attorney's fees or costs of investigation in an action for violating section 17.943.

Subd. 3. [CLASS ACTION ATTORNEY'S FEES.] In a class action or series of class actions that arise from the use by a contractor of an agricultural contract found to violate section 17.943, the amount of attorney's fees and costs of investigation assessed against that contractor and in favor of the class or classes may not exceed \$10,000.

Subd. 4. [LIMITS ON PRODUCER ACTIONS.] Violation of section 17.943 is not a defense to a claim arising from a producer's breach of an agricultural contract. A producer may recover actual damages caused by a violation of section 17.943 only if the violation caused the producer to not understand the rights, obligations, or remedies of the contract.

Subd. 5. [STATUTE OF LIMITATIONS.] A claim that an agricultural contract violates section 17.943 must be raised within six years of the date the contract is executed by the producer.

Sec. 10. [17.9442] [APPLICABILITY OF CONTRACT REQUIREMENTS.]

The requirements for the written disclosure of material risks under section 17.91, subdivision 2; the three-day review period under section 17.941; the cover sheet requirement under section 17.942; and the contract readability requirements under section 17.943, subdivision 1, do not apply to contracts which provide for:

(1) the sale and purchase of a fixed amount of a commodity for delivery at a set price;

(2) price-later grain contracts;

(3) contracts agreed to between a processor and an accredited bargaining organization under sections 17.691 to 17.703;

(4) future contracts which involve the sale or purchase of a standardized quantity of a commodity for future delivery on a regulated commodity exchange;

(5) agricultural marketing contracts between a capital stock cooperative and its members under section 308A.205;
or

(6) occasional sales between persons who produce or cause to be produced food, feed, or fiber in a quantity beyond their own family use.

Sec. 11. [17.9443] [WAIVER OF CONTRACT PROVISIONS IS VOID.]

Any provision of an agricultural contract which waives or attempts to waive any provision of sections 17.90 to 17.97 is void.

Sec. 12. [EFFECTIVE DATE.]

Sections 1 to 11 are effective on January 1, 2001, and apply to agricultural contracts entered into or substantively amended after that date."

Delete the title and insert:

"A bill for an act relating to agriculture; changing certain requirements and enforcement procedures for agricultural contracts; amending Minnesota Statutes 1998, sections 17.90, subdivision 4, and by adding subdivisions; and 17.91; proposing coding for new law in Minnesota Statutes, chapter 17."

We request adoption of this report and repassage of the bill.

House Conferees: ELAINE HARDER, STEPHEN G. WENZEL AND TIM FINSETH.

Senate Conferees: DENNIS R. FREDERICKSON, DALLAS C. SAMS AND JIM VICKERMAN.

Harder moved that the report of the Conference Committee on H. F. No. 3534 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 3534, A bill for an act relating to agriculture; changing certain requirements and enforcement procedures for agricultural contracts; amending Minnesota Statutes 1998, sections 17.90, by adding a subdivision; and 17.91; proposing coding for new law in Minnesota Statutes, chapter 17.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Cassell	Erickson	Hackbarth	Kalis	Lindner
Abrams	Chaudhary	Finseth	Harder	Kelliher	Luther
Anderson, B.	Clark, J.	Folliard	Hasskamp	Kielkucki	Mahoney
Anderson, I.	Clark, K.	Fuller	Hilty	Knoblach	Mares
Bakk	Daggett	Gerlach	Holberg	Koskinen	Mariani
Biernat	Davids	Gleason	Holsten	Krinkie	Marko
Bishop	Dawkins	Goodno	Howes	Kubly	McCollum
Boudreau	Dehler	Gray	Huntley	Kuisle	McElroy
Bradley	Dempsey	Greenfield	Jaros	Larsen, P.	McGuire
Broecker	Dorman	Greiling	Jennings	Larson, D.	Milbert
Buesgens	Dorn	Gunther	Johnson	Lenczewski	Molnau
Carlson	Entenza	Haake	Juhnke	Leppik	Mulder
Carruthers	Erhardt	Haas	Kahn	Lieder	Mullery

Murphy	Paulsen	Rifenberg	Smith	Tomassoni	Westerberg
Ness	Pawlenty	Rostberg	Solberg	Trimble	Westfall
Nornes	Paymar	Rukavina	Stanek	Tuma	Westrom
Olson	Pelowski	Schumacher	Stang	Tunheim	Wilkin
Opatz	Peterson	Seagren	Storm	Van Dellen	Winter
Osskopp	Pugh	Seifert, J.	Swapinski	Vandevier	Workman
Osthoff	Rest	Seifert, M.	Swenson	Wagenius	Spk. Sviggum
Otremba	Reuter	Skoe	Sykora	Wejcman	
Ozment	Rhodes	Skoglund	Tingelstad	Wenzel	

The bill was repassed, as amended by Conference, and its title agreed to.

MESSAGES FROM THE SENATE, Continued

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 3046, A bill for an act relating to game and fish; requiring certain reports; modifying duties of citizen oversight committees; modifying certain licensing fees; appropriating money; amending Minnesota Statutes 1998, sections 97A.055, subdivisions 4 and 4a; 97A.475, subdivisions 2, 3, 6, 7, 8, 11, 12, 13, and 20; and 97A.485, subdivision 12.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Holsten moved that the House concur in the Senate amendments to H. F. No. 3046 and that the bill be repassed as amended by the Senate. The motion prevailed.

The Speaker called Abrams to the Chair.

H. F. No. 3046, A bill for an act relating to natural resources; requiring certain reports; modifying duties of citizen oversight committees; modifying certain license fees; providing for wolf management; modifying use of lighted fishing lures; modifying disposition of payments in lieu of sales tax for lottery tickets; appropriating money; amending Minnesota Statutes 1998, sections 3.737, subdivision 1; 97A.055, subdivisions 4 and 4a; 97A.331, by adding a subdivision; 97A.475, subdivisions 2, 3, 6, 7, 8, 11, 12, 13, and 20; 97A.485, subdivision 12; 97B.645; 97B.671, subdivision 3, and by adding a subdivision; 97C.335, as amended; and 297A.44, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 97B.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 87 yeas and 44 nays as follows:

Those who voted in the affirmative were:

Abeler	Finseth	Juhnke	Mullery	Rhodes	Tingelstad
Bakk	Fuller	Kalis	Murphy	Rostberg	Tomassoni
Bishop	Goodno	Kelliher	Ness	Rukavina	Trimble
Boudreau	Gunther	Koskinen	Nornes	Schumacher	Tuma
Bradley	Haas	Kubly	Olson	Seagren	Tunheim
Broecker	Hackbarth	Kuisle	Opatz	Seifert, J.	Wenzel
Cassell	Harder	Larsen, P.	Osskopp	Seifert, M.	Westerberg
Daggett	Hasskamp	Leighton	Osthoff	Skoe	Westfall
Dauids	Hilty	Lenczewski	Otremba	Solberg	Westrom
Dempsey	Holsten	Leppik	Ozment	Stanek	Winter
Dorman	Howes	Lieder	Pawlenty	Stang	Workman
Dorn	Huntley	Luther	Pelowski	Storm	Spk. Sviggum
Entenza	Jaros	Mahoney	Peterson	Swapinski	
Erhardt	Jennings	Mares	Pugh	Swenson	
Erickson	Johnson	McElroy	Rest	Sykora	

Those who voted in the negative were:

Abrams	Clark, J.	Greenfield	Larson, D.	Mulder	Vanderveer
Anderson, B.	Clark, K.	Greiling	Lindner	Paulsen	Wagenius
Anderson, I.	Dawkins	Haake	Mariani	Paymar	Wejzman
Biernat	Dehler	Holberg	Marko	Reuter	Wilkin
Buesgens	Folliard	Kahn	McCollum	Rifenberg	
Carlson	Gerlach	Kielkucki	McGuire	Skoglund	
Carruthers	Gleason	Knoblach	Milbert	Smith	
Chaudhary	Gray	Krinkie	Molnau	Van Dellen	

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 3557, A bill for an act relating to appropriations; modifying certain state government provisions; amending Minnesota Statutes 1999 Supplement, section 16A.129, subdivision 3; Laws 1999, chapter 250, article 1, sections 11 and 14, subdivision 3; repealing Laws 1999, chapter 250, article 1, section 15, subdivision 4.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Krinkie moved that the House concur in the Senate amendments to H. F. No. 3557 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 3557, A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, unintended results, and technical errors in state government, human services, and prekindergarten-grade 12 education code appropriations acts; appropriating money; amending Minnesota Statutes 1998, sections 125A.21, subdivision 1; and 256B.501, by adding a subdivision; Minnesota Statutes 1999 Supplement, sections 16A.129, subdivision 3; 124D.65, subdivision 4; 126C.052; 126C.10, subdivisions 2 and 23; 126C.12, subdivision 1; and 256B.77, subdivision 10; Laws 1999, chapters 241, articles 1, section 70; and 4, section 29; 245, articles 1, section 3, subdivision 2; and 4, section 121; 250, article 1, sections 11 and 14, subdivision 3; repealing Laws 1999, chapter 241, article 10, section 5; and 250, article 1, section 15, subdivision 4.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 127 yeas and 2 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Holsten	Lindner	Pelowski	Tingelstad
Abrams	Dorn	Howes	Luther	Peterson	Tomassoni
Anderson, B.	Entenza	Huntley	Mares	Pugh	Trimble
Anderson, I.	Erhardt	Jaros	Mariani	Reuter	Tuma
Bakk	Erickson	Jennings	Marko	Rhodes	Tunheim
Biernat	Finseth	Johnson	McCollum	Rifenberg	Van Dellen
Bishop	Folliard	Juhnke	McElroy	Rostberg	Vanderveer
Boudreau	Fuller	Kahn	McGuire	Rukavina	Wagenius
Bradley	Gerlach	Kalis	Milbert	Schumacher	Wejzman
Broecker	Gleason	Kelliher	Molnau	Seagren	Wenzel
Buesgens	Goodno	Kielkucki	Mulder	Seifert, J.	Westerberg
Carlson	Gray	Knoblach	Mullery	Seifert, M.	Westfall
Carruthers	Greenfield	Koskinen	Murphy	Skoe	Westrom
Cassell	Greiling	Krinkie	Ness	Skoglund	Wilkin
Chaudhary	Gunther	Kubly	Nornes	Smith	Winter
Clark, J.	Haake	Kuisle	Olson	Solberg	Workman
Clark, K.	Haas	Larsen, P.	Osskopp	Stanek	Spk. Sviggum
Daggett	Hackbarth	Larson, D.	Otremba	Stang	
Davids	Harder	Leighton	Ozment	Storm	
Dawkins	Hasskamp	Lenczewski	Paulsen	Swapinski	
Dehler	Hilty	Leppik	Pawlenty	Swenson	
Dempsey	Holberg	Lieder	Paymar	Sykora	

Those who voted in the negative were:

Opatz Rest

The bill was repassed, as amended by the Senate, and its title agreed to.

Solberg was excused between the hours of 2:55 p.m. and 5:30 p.m.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 3028.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 3028

A bill for an act relating to vulnerable adults; specifying rights for reconsideration and review of determinations regarding maltreatment; amending Minnesota Statutes 1998, section 626.557, subdivisions 9c, 9d, and 12b; Minnesota Statutes 1999 Supplement, section 13.99, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 256.

April 26, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 3028, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S. F. No. 3028 be further amended as follows:

Page 10, after line 7, insert:

"Sec. 6. Laws 1995, chapter 207, article 8, section 37, is amended to read:

Sec. 37. [256.0121] [SOUTHERN CITIES COMMUNITY HEALTH CLINIC.]

Subdivision 1. [SERVICE PROVISION.] The commissioner of human services shall offer medically necessary psychiatric and dental services to developmentally disabled clients in the Faribault service area through the Southern Cities Community Health Clinic. For purposes of this requirement, the Faribault service area is expanded to also include geographic areas of the state within 100 miles of Faribault.

Subd. 2. [CONSULTATION REQUIRED.] The commissioner of human services shall consult with ~~the Faribault community task force~~ providers of psychiatric and dental services to developmentally disabled clients, family members of developmentally disabled clients, the chairs of the house and senate committees with jurisdiction over health and human services fiscal issues, and the exclusive representatives before making any decisions about when considering policy changes related to:

- (1) the future of the Southern Cities Community Health Clinic;
- (2) the services currently provided by that clinic to developmentally disabled clients in the Faribault regional center catchment area; and
- (3) changes in the model for providing those services.

Subd. 3. [GUARANTEE OF SERVICE AVAILABILITY; LEGISLATIVE NOTICE.] (a) The department of human services shall guarantee the provision of medically necessary psychiatric and dental services to developmentally disabled clients in the Faribault service area through the Southern Cities Community Health Clinic until or unless other appropriate arrangements have been made to provide those clients with those services and the requirements of paragraph (b) are met.

(b) The commissioner shall notify the chairs of the house and senate committees with jurisdiction over health and human services fiscal issues of plans to use other arrangements to provide medically necessary psychiatric and dental services to developmentally disabled clients in the Faribault service area. The commissioner must not implement these arrangements unless a regular legislative session has convened and adjourned since the date notice was given under this paragraph."

Amend the title as follows:

Page 1, line 2, delete "vulnerable adults" and insert "human services"

Page 1, line 4, before the semicolon, insert "of vulnerable adults; modifying provisions governing the Southern Cities Community Health Clinic"

Page 1, line 7, after the semicolon, insert "Laws 1995, chapter 207, article 8, section 37;"

We request adoption of this report and repassage of the bill.

Senate Conferees: ALLAN H. SPEAR, THOMAS M. NEUVILLE AND DON SAMUELSON.

House Conferees: LEE GREENFIELD, LYNDA BOUDREAU AND KEVIN GOODNO.

Greenfield moved that the report of the Conference Committee on S. F. No. 3028 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 3028, A bill for an act relating to vulnerable adults; specifying rights for reconsideration and review of determinations regarding maltreatment; amending Minnesota Statutes 1998, section 626.557, subdivisions 9c, 9d, and 12b; Minnesota Statutes 1999 Supplement, section 13.99, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 256.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Daggett	Greenfield	Kahn	Mares	Otremba
Abrams	Davids	Greiling	Kalis	Mariani	Ozment
Anderson, B.	Dawkins	Gunther	Kelliher	Marko	Paulsen
Anderson, I.	Dehler	Haake	Kielkucki	McCollum	Pawlenty
Bakk	Dempsey	Haas	Knoblach	McElroy	Paymar
Biernat	Dorman	Hackbarth	Koskinen	McGuire	Pelowski
Bishop	Dorn	Harder	Krinkie	Milbert	Peterson
Boudreau	Entenza	Hasskamp	Kubly	Molnau	Pugh
Bradley	Erhardt	Hilty	Kuise	Mulder	Rest
Broecker	Erickson	Holberg	Larsen, P.	Mullery	Reuter
Buesgens	Finseth	Holsten	Larson, D.	Murphy	Rhodes
Carlson	Folliard	Howes	Lenczewski	Ness	Rifenberg
Carruthers	Fuller	Huntley	Leppik	Nornes	Rostberg
Cassell	Gerlach	Jaros	Lieder	Olson	Rukavina
Chaudhary	Gleason	Jennings	Lindner	Opatz	Schumacher
Clark, J.	Goodno	Johnson	Luther	Osskopp	Seagren
Clark, K.	Gray	Juhnke	Mahoney	Osthoff	Seifert, J.

Seifert, M.	Stang	Tingelstad	Van Dellen	Westerberg	Workman
Skoe	Storm	Tomassoni	Vandever	Westfall	Spk. Sviggum
Skoglund	Swapinski	Trimble	Wagenius	Westrom	
Smith	Swenson	Tuma	Wejcman	Wilkin	
Stanek	Sykora	Tunheim	Wenzel	Winter	

The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 3036.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 3036

A bill for an act relating to natural resources; providing for seizure and administrative forfeiture of certain firearms and abandoned property; modifying authority to issue trespass citations; modifying provisions for forfeited vehicles; modifying definition of peace officer; providing civil penalties; appropriating money; amending Minnesota Statutes 1998, sections 97B.002, subdivision 1; and 609.5312, subdivision 4; Minnesota Statutes 1999 Supplement, sections 169.1217, subdivision 9; and 169.123, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 97A.

May 2, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 3036, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S. F. No. 3036 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. [97A.223] [SEIZURE AND ADMINISTRATIVE FORFEITURE OF CERTAIN FIREARMS AND ABANDONED PROPERTY.]

Subdivision 1. [PROPERTY SUBJECT TO SEIZURE AND FORFEITURE.] (a) An enforcement officer must seize:

(1) firearms possessed in violation of state or federal law or court order; and

(2) property described in section 97A.221, subdivision 1, where no owner can be determined.

(b) Property seized under this section is subject to administrative forfeiture.

Subd. 2. [NOTICE OF SEIZURE AND INTENT TO FORFEIT.] When property is seized under subdivision 1, the enforcement officer shall serve any known owner and person possessing the property with a notice of the seizure and intent to forfeit the property. The notice must be in writing, describing the property seized, the date of seizure, and notice of the right to appeal the seizure and forfeiture as described in subdivision 3.

Subd. 3. [APPEAL; FINAL ORDER.] Seizure and administrative forfeiture of property under this section may be appealed under the procedures in section 116.072, subdivision 6, if the owner or other person from whom the property was seized requests a hearing by notifying the commissioner in writing within 45 days after seizure of the property. For purposes of this section, the terms "commissioner" and "agency" as used in section 116.072 mean the commissioner of natural resources. If a hearing is not requested within 45 days of seizure, the forfeiture becomes a final order and not subject to further review.

Subd. 4. [OTHER REMEDIES.] The authority to forfeit firearms and other property under this section is in addition to other remedies available under state and federal law.

Subd. 5. [DISPOSAL OF FORFEITED PROPERTY.] Forfeited property under this section may be disposed of as contraband according to section 97A.221, subdivision 4.

Sec. 2. Minnesota Statutes 1998, section 97B.002, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY TO ISSUE.] Conservation officers, sheriffs, and deputies may issue citations to a person who trespasses in violation of section 84.90 or 97B.001 or removes a sign posted to prevent trespass without permission of the owner of the property.

Sec. 3. Minnesota Statutes 1999 Supplement, section 169.1217, subdivision 7a, is amended to read:

Subd. 7a. [ADMINISTRATIVE FORFEITURE PROCEDURE.] (a) A motor vehicle used to commit a designated offense or used in conduct resulting in a designated license revocation is subject to administrative forfeiture under this subdivision.

(b) When a motor vehicle is seized under subdivision 2, the appropriate agency shall serve the driver or operator of the vehicle with a notice of the seizure and intent to forfeit the vehicle. Additionally, when a motor vehicle is seized under subdivision 2, or within a reasonable time after that, all persons known to have an ownership, possessory, or security interest in the vehicle must be notified of the seizure and the intent to forfeit the vehicle. The notification to a person known to have a security interest in the vehicle is required only if the vehicle is registered under chapter 168 and the interest is listed on the vehicle's title. Notice mailed by certified mail to the address shown in department of public safety records is sufficient notice to the registered owner of the vehicle. Otherwise, notice may be given in the manner provided by law for service of a summons in a civil action.

(c) The notice must be in writing and contain:

(1) a description of the vehicle seized;

(2) the date of seizure; and

(3) notice of the right to obtain judicial review of the forfeiture and of the procedure for obtaining that judicial review, printed in English, Hmong, and Spanish. Substantially the following language must appear conspicuously: "IF YOU DO NOT DEMAND JUDICIAL REVIEW EXACTLY AS PRESCRIBED IN MINNESOTA STATUTES, SECTION 169.1217, SUBDIVISION 7a, YOU LOSE THE RIGHT TO A JUDICIAL DETERMINATION OF THIS FORFEITURE AND YOU LOSE ANY RIGHT YOU MAY HAVE TO THE ABOVE DESCRIBED PROPERTY."

YOU MAY NOT HAVE TO PAY THE FILING FEE FOR THE DEMAND IF DETERMINED YOU ARE UNABLE TO AFFORD THE FEE. IF THE PROPERTY IS WORTH \$7,500 OR LESS, YOU MAY FILE YOUR CLAIM IN CONCILIATION COURT. YOU DO NOT HAVE TO PAY THE CONCILIATION COURT FILING FEE IF THE PROPERTY IS WORTH LESS THAN \$500."

(d) Within 30 days following service of a notice of seizure and forfeiture under this subdivision, a claimant may file a demand for a judicial determination of the forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the prosecuting authority having jurisdiction over the forfeiture, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property is \$7,500 or less, the claimant may file an action in conciliation court for recovery of the seized vehicle. If the value of the seized property is less than \$500, the claimant does not have to pay the conciliation court filing fee. No responsive pleading is required of the prosecuting authority and no court fees may be charged for the prosecuting authority's appearance in the matter. Except as provided in this section, judicial reviews and hearings are governed by section 169.123, subdivisions 5c and 6; and ~~shall~~, at the option of the prosecuting authority, may take place at the same time as any judicial review of the person's license revocation under section 169.123. If the judicial review and hearing under this section do not take place at the same time as the judicial review of the person's license revocation under section 169.123, the review and hearing must take place at the earliest practicable date. The proceedings may be combined with any hearing on a petition filed under section 169.123, subdivision 5c, and are governed by the rules of civil procedure.

(e) The complaint must be captioned in the name of the claimant as plaintiff and the seized vehicle as defendant, and must state with specificity the grounds on which the claimant alleges the vehicle was improperly seized and the plaintiff's interest in the vehicle seized. Notwithstanding any law to the contrary, an action for the return of a vehicle seized under this section may not be maintained by or on behalf of any person who has been served with a notice of seizure and forfeiture unless the person has complied with this subdivision.

(f) If the claimant makes a timely demand for a judicial determination under this subdivision, the appropriate agency must conduct the forfeiture under subdivision 8.

(g) If a demand for judicial determination of an administrative forfeiture is filed under this subdivision and the court orders the return of the seized vehicle, the court shall order that filing fees be reimbursed to the person who filed the demand. In addition, the court may order sanctions under section 549.211.

Sec. 4. Minnesota Statutes 1998, section 169.1217, is amended by adding a subdivision to read:

Subd. 10. [SALE OF FORFEITED VEHICLE BY SECURED PARTY.] (a) A financial institution with a valid security interest in or a valid lease covering a forfeited vehicle may choose to dispose of the vehicle under this subdivision, in lieu of the appropriate agency disposing of the vehicle under subdivision 9. A financial institution wishing to dispose of a vehicle under this subdivision shall notify the appropriate agency of its intent, in writing, within 30 days after receiving notice of the seizure and forfeiture. The appropriate agency shall release the vehicle to the financial institution or its agent after the financial institution presents proof of its valid security agreement or of its lease agreement and the financial institution agrees not to sell the vehicle to a member of the violator's household, unless the violator is not convicted of the offense on which the forfeiture is based. The financial institution shall dispose of the vehicle in a commercially reasonable manner as defined in section 336.9-504.

(b) After disposing of the forfeited vehicle, the financial institution shall reimburse the appropriate agency for its seizure, storage, and forfeiture costs. The financial institution may then apply the proceeds of the sale to its storage costs, to its sale expenses, and to satisfy the lien or the lease on the vehicle. If any proceeds remain, the financial institution shall forward the proceeds to the state treasury, which shall credit the appropriate fund as specified in subdivision 9.

Sec. 5. Minnesota Statutes 1998, section 609.5312, subdivision 4, is amended to read:

Subd. 4. [VEHICLE FORFEITURE FOR FLEEING A PEACE OFFICER.] (a) A motor vehicle is subject to forfeiture under this subdivision if it was used to commit a violation of section 609.487 and endanger life or property. A motor vehicle is subject to forfeiture under this subdivision only if the offense is established by proof of a criminal conviction for the offense. Except as otherwise provided in this subdivision, a forfeiture under this subdivision is governed by sections 609.531, 609.5312, 609.5313, and 609.5315, subdivision 6.

(b) When a motor vehicle subject to forfeiture under this subdivision is seized in advance of a judicial forfeiture order, a hearing before a judge or referee must be held within 96 hours of the seizure. Notice of the hearing must be given to the registered owner within 48 hours of the seizure. The prosecuting authority shall certify to the court, at or in advance of the hearing, that it has filed or intends to file charges against the alleged violator for violating section 609.487. After conducting the hearing, the court shall order that the motor vehicle be returned to the owner if:

(1) the prosecutor has failed to make the certification required by this paragraph;

(2) the owner of the motor vehicle has demonstrated to the court's satisfaction that the owner has a defense to the forfeiture, including but not limited to the defenses contained in subdivision 2; or

(3) the court determines that seizure of the vehicle creates or would create an undue hardship for members of the owner's family.

(c) If the defendant is acquitted or the charges against the defendant are dismissed, neither the owner nor the defendant is responsible for paying any costs associated with the seizure or storage of the vehicle.

(d) A vehicle leased or rented under section 168.27, subdivision 4, for a period of 180 days or less is not subject to forfeiture under this subdivision.

(e) A motor vehicle that is an off-road recreational vehicle as defined in section 169.01, subdivision 86, or a motorboat as defined in section 169.01, subdivision 87, is not subject to paragraph (b).

Sec. 6. [ASSESSING GROSS VIOLATIONS; REPORT.]

The commissioner of natural resources must review and assess gross violations of taking game and fish resources. A report on increased penalties for gross violations must be completed by the commissioner by February 1, 2001, and delivered to the house and senate committees on natural resources policy and finance.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 6 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to penalties; providing for seizure and administrative forfeiture of certain firearms and abandoned property; modifying authority to issue trespass citations; modifying provisions for forfeited vehicles; requiring a report of gross violations of game and fish law; providing civil penalties; amending Minnesota Statutes 1998, sections 97B.002, subdivision 1; 169.1217, by adding a subdivision; and 609.5312, subdivision 4; Minnesota Statutes 1999 Supplement, section 169.1217, subdivision 7a; proposing coding for new law in Minnesota Statutes, chapter 97A."

We request adoption of this report and repassage of the bill.

Senate Conferees: DAVE JOHNSON, JANE KRENTZ AND GARY W. LAIDIG.

House Conferees: BILL HAAS, KATHY TINGELSTAD AND BETTY MCCOLLUM.

Haas moved that the report of the Conference Committee on S. F. No. 3036 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 3036, A bill for an act relating to natural resources; providing for seizure and administrative forfeiture of certain firearms and abandoned property; modifying authority to issue trespass citations; modifying provisions for forfeited vehicles; modifying definition of peace officer; providing civil penalties; appropriating money; amending Minnesota Statutes 1998, sections 97B.002, subdivision 1; and 609.5312, subdivision 4; Minnesota Statutes 1999 Supplement, sections 169.1217, subdivision 9; and 169.123, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 97A.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 112 yeas and 17 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Howes	Luther	Paulsen	Swenson
Abrams	Dorn	Huntley	Mahoney	Pawlenty	Sykora
Anderson, I.	Entenza	Jaros	Mares	Paymar	Tingelstad
Bakk	Erhardt	Jennings	Mariani	Pelowski	Tomassoni
Biernat	Folliard	Johnson	Marko	Peterson	Trimble
Bishop	Fuller	Juhnke	McCollum	Pugh	Tuma
Boudreau	Gleason	Kahn	McElroy	Rest	Tunheim
Bradley	Goodno	Kalis	McGuire	Rhodes	Vandever
Broecker	Greenfield	Kelliher	Milbert	Rostberg	Wagenius
Carlson	Greiling	Knobloch	Molnau	Rukavina	Wejcman
Carruthers	Gunther	Koskinen	Mullery	Schumacher	Wenzel
Cassell	Haake	Kubly	Murphy	Seagren	Westerberg
Chaudhary	Haas	Kuisle	Ness	Seifert, J.	Westfall
Clark, K.	Hackbarth	Larsen, P.	Nornes	Skoe	Westrom
Daggett	Harder	Larson, D.	Olson	Skoglund	Winter
Davids	Hasskamp	Leighton	Opatz	Stanek	Workman
Dawkins	Hilty	Lenczewski	Osthoff	Stang	Spk. Sviggum
Dehler	Holberg	Leppik	Otremba	Storm	
Dempsey	Holsten	Lieder	Ozment	Swapinski	

Those who voted in the negative were:

Anderson, B.	Erickson	Kielkucki	Mulder	Rifenberg	Van Dellen
Buesgens	Finseth	Krinkie	Osskopp	Seifert, M.	Wilkin
Clark, J.	Gerlach	Lindner	Reuter	Smith	

The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 3234.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 3234

A bill for an act relating to state government; authorizing legislative governmental operations committees to formally object to administrative rules; modifying the review of proposed rules; creating a rules task force; providing appointments; amending Minnesota Statutes 1998, sections 3.842, subdivision 4a; and 14.15, subdivision 4; Minnesota Statutes 1999 Supplement, section 14.26, subdivision 3.

May 3, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 3234, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 3234 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 3.842, subdivision 4a, is amended to read:

Subd. 4a. [OBJECTIONS TO RULES.] (a) For purposes of this subdivision, "committee" means the house of representatives policy committee or senate policy committee with primary jurisdiction over state governmental operations. The commission or a committee may object to a rule as provided in this subdivision. If the commission or a committee objects to all or some portion of a rule because the commission or committee considers it to be beyond the procedural or substantive authority delegated to the agency, including a proposed rule submitted under section 14.15, subdivision 4, or 14.26, subdivision 3, paragraph (c), the commission or committee may file that objection in the office of the secretary of state. The filed objection must contain a concise statement of the commission's or committee's reasons for its action. An objection to a proposed rule submitted by the commission or a committee under section 14.15, subdivision 4, or 14.26, subdivision 3, paragraph (c), may not be filed before the rule is adopted.

(b) The secretary of state shall affix to each objection a certification of the date and time of its filing and as soon after the objection is filed as practicable shall transmit a certified copy of it to the agency issuing the rule in question and to the revisor of statutes. The secretary of state shall also maintain a permanent register open to public inspection of all objections by the commission or committee.

(c) The commission or committee shall publish and index an objection filed under this section in the next issue of the State Register. The revisor of statutes shall indicate the existence of the objection adjacent to the rule in question when that rule is published in Minnesota Rules.

(d) Within 14 days after the filing of an objection by the commission or committee to a rule, the issuing agency shall respond in writing to the ~~commission~~ objecting entity. After receipt of the response, the commission or committee may withdraw or modify its objection.

(e) After the filing of an objection by the commission or committee that is not subsequently withdrawn, the burden is upon the agency in any proceeding for judicial review or for enforcement of the rule to establish that the whole or portion of the rule objected to is valid.

(f) The failure of the commission or a committee to object to a rule is not an implied legislative authorization of its validity.

(g) In accordance with sections 14.44 and 14.45, the commission or a committee may petition for a declaratory judgment to determine the validity of a rule objected to by the commission or committee. The action must be started within two years after an objection is filed in the office of the secretary of state.

(h) The commission or a committee may intervene in litigation arising from agency action. For purposes of this paragraph, agency action means the whole or part of a rule, or the failure to issue a rule.

Sec. 2. Minnesota Statutes 1998, section 14.15, subdivision 4, is amended to read:

Subd. 4. [NEED OR REASONABLENESS NOT ESTABLISHED.] If the chief administrative law judge determines that the need for or reasonableness of the rule has not been established pursuant to section 14.14, subdivision 2, and if the agency does not elect to follow the suggested actions of the chief administrative law judge to correct that defect, then the agency shall submit the proposed rule to the legislative coordinating commission and to the house of representatives and senate policy committees with primary jurisdiction over state governmental operations for the ~~commission's~~ advice and comment. The agency may not adopt the rule until it has received and considered the advice of the commission and committees. However, the agency is not required to wait for the ~~commission's~~ advice for more than 60 days after the commission has and committees have received the agency's submission.

Sec. 3. Minnesota Statutes 1999 Supplement, section 14.26, subdivision 3, is amended to read:

Subd. 3. [REVIEW.] (a) Within 14 days, the administrative law judge shall approve or disapprove the rule as to its legality and its form to the extent that the form relates to legality, including the issues of whether the rule if modified is substantially different, as determined under section 14.05, subdivision 2, from the rule as originally proposed, whether the agency has the authority to adopt the rule, and whether the record demonstrates a rational basis for the need for and reasonableness of the proposed rule. If the rule is approved, the administrative law judge shall promptly file three copies of it in the office of the secretary of state. The secretary of state shall forward one copy of each rule to the revisor of statutes and to the governor. If the rule is disapproved, the administrative law judge shall state in writing the reasons for the disapproval and make recommendations to overcome the defects.

(b) The written disapproval must be submitted to the chief administrative law judge for approval. If the chief administrative law judge approves of the findings of the administrative law judge, the chief administrative law judge shall send the statement of the reasons for disapproval of the rule to the agency, the legislative coordinating commission, the house of representatives and senate policy committees with primary jurisdiction over state governmental operations, and the revisor of statutes and advise the agency and the revisor of statutes of actions that will correct the defects. The rule may not be filed in the office of the secretary of state, nor published, until the chief administrative law judge determines that the defects have been corrected or, if applicable, that the agency has satisfied the rule requirements for the adoption of a substantially different rule.

(c) If the chief administrative law judge determines that the need for or reasonableness of the rule has not been established, and if the agency does not elect to follow the suggested actions of the chief administrative law judge to correct that defect, then the agency shall submit the proposed rule to the legislative coordinating commission and to the house of representatives and senate policy committees with primary jurisdiction over state governmental

operations for the commission's advice and comment. The agency may not adopt the rule until it has received and considered the advice of the commission and committees. However, the agency is not required to wait for the commission's advice for more than 60 days after the commission has and committees have received the agency's submission.

(d) The administrative law judge shall disregard any error or defect in the proceeding due to the agency's failure to satisfy any procedural requirements imposed by law or rule if the administrative law judge finds:

(1) that the failure did not deprive any person or entity of an opportunity to participate meaningfully in the rulemaking process; or

(2) that the agency has taken corrective action to cure the error or defect so that the failure did not deprive any person or entity of an opportunity to participate meaningfully in the rulemaking process.

Sec. 4. [14.3691] [RULE REVIEW AND LEGISLATIVE OVERSIGHT.]

Subdivision 1. [REPORTS.] An entity whose rules are scheduled for review under this section must report to the governor and the appropriate committees of the legislature by August 1 of the year before the legislative session in which the entity's rules are scheduled for review. The speaker of the house of representatives and the senate committee on rules and administration shall designate the appropriate committees to receive these reports. The report must: (1) list any rules that the entity recommends for repeal; (2) list and briefly describe the rationale for rules that the entity believes should remain in effect; and (3) suggest any changes in rules that would improve the agency's ability to meet the regulatory objectives prescribed by the legislature, while reducing any unnecessary burdens on regulated parties. Any costs of preparing this report must be absorbed within funds otherwise appropriated to the entity.

Subd. 2. [SCHEDULE.] (a) Rules of the administration department, agriculture department, children, families, and learning department, commerce department, corrections department, economic security department, employee relations department, and health department will be reviewed before and during the legislative session in 2002. Policies and procedures of the board of trustees of the Minnesota state colleges and universities that would be rules if they were not exempt from chapter 14 will be reviewed before and during the legislative session in 2002.

(b) Rules of the environmental assistance office, board of teaching, housing finance agency, human rights department, human services department, labor and industry department, and mediation services bureau will be reviewed before and during the legislative session in 2003.

(c) Rules of the natural resources department, pollution control agency, public safety department, public service department, and revenue department will be reviewed before and during the legislative session in 2004.

(d) Rules of the state planning agency, trade and economic development department, transportation department, and veterans affairs department will be reviewed before and during the legislative session in 2005.

Subd. 3. [EXPIRATION.] This section expires June 30, 2005.

Sec. 5. [RULES TASK FORCE.]

A rules task force of eight members is created. The governor must appoint four members. The task force also includes one member each from the minority and majority caucus in the house of representatives and the senate. House members must be appointed by the speaker. Senate members must be appointed by the committee on rules and administration. The member of the majority caucus appointed by the speaker of the house of representatives must convene the first meeting. The members of the task force must elect a chair. The legislative coordinating commission and an agency designated by the governor must provide staff assistance and administrative support for

the task force within existing appropriations. The task force must study and make recommendations to the governor and the legislature by January 15, 2001, on issues relating to review of agency rules. The recommendations must include, but are not limited to:

(1) a process to be used by agencies, the governor, and the legislature to identify and prioritize rules and related laws and programs that will be subject to legislative review;

(2) a process by which the legislature will review rules and related laws and programs identified under clause (1);

(3) the estimated agency and legislative time and resources required for review of rules and related laws and programs under the processes recommended under clauses (1) and (2);

(4) the effect of possible repeal of agency rules on the state budget and any loss of benefits to citizens of the state resulting from such a repeal;

(5) the desirability of changes in the rulemaking requirements of the Administrative Procedure Act, given increased legislative scrutiny of rules; and

(6) an analysis of ways to ensure or encourage compliance with state policies and goals using methods other than rulemaking, such as administrative penalty orders, descriptive guidelines, best management practices, compliance incentives, technical assistance, training, and procedural templates.

In making its recommendations, the task force must consult with interested parties, and must consider relevant state and federal laws and commitments. The task force is subject to Minnesota Statutes, section 471.705. The task force expires June 30, 2001.

Sec. 6. [TEACHER PREPARATION PROGRAMS.]

The state board of teaching must consult with representatives of faculty and administrators from Minnesota post-secondary institutions that have teacher preparation programs. The state board of teaching must report to the governmental operations and education committees of the legislature by January 15, 2001, on these institutions' opinions on the rules relating to institution and teacher preparation program approval.

Sec. 7. [REPEALER.]

(a) Minnesota Rules parts 1200.0200, 1200.0300, 1250.0200, 1250.0300, 1250.0400, 1250.0500, 1250.0600, 1250.0700, 1250.0800, 1250.0900, 1250.1000, 1250.1100, 1250.1200, 1265.0100, 1265.0200, 1265.0300, 1265.0400, 1265.0500, and 1265.0600, are repealed.

(b) Minnesota Rules, parts 1555.2205, 1555.2210, 1555.2220, 1555.2225, 1555.2230, 1555.2240, 1555.2250, 1555.2260, 1555.2270, 1555.2280, 1555.2290, 1555.2300, 1555.2310, 1555.2320, 1555.2330, 1555.2340, 1555.2350, 1555.2360, 1555.2370, 1555.2380, 1555.2390, 1555.2400, 1555.2410, 1555.2440, 1555.2450, 1555.2460, 1555.2470, 1555.2480, 1555.2490, 1555.2500, 1555.2510, 1555.2520, 1555.2530, 1555.2540, 1555.2550, 1555.2560, 1555.2570, 1555.2580, 1555.2590, 1555.2600, 1555.2610, 1555.2620, 1555.2630, 1555.2640, 1555.2650, 1555.2660, 1555.2670, 1555.2680, 1555.2690, 1555.2700, 1555.2710, 1555.2720, 1555.2730, 1555.2740, 1555.2750, 1555.2760, 1555.2770, 1555.2780, 1555.2790, 1555.2800, 1555.2810, 1555.2820, 1555.2830, 1555.2840, 1555.2850, 1555.2860, 1555.2870, 1555.2880, 1555.2890, 1555.2900, 1555.2910, 1555.3000, 1555.3010, 1555.3020, 1555.3030, 1555.3040, 1555.3050, 1555.3060, 1555.3070, 1555.3080, 1555.3090, 1555.3100, 1555.3110, 1555.3120, 1555.3130, 1555.3140, 1555.3150, 1555.3160, 1555.3170, 1555.3180, 1555.3190, 1555.3200, 1555.3210, 1555.3220, 1555.3230, 1555.3240, 1555.3250, 1555.3260, 1555.3270, 1555.3280, 1555.3290, 1555.3300, 1555.3310, 1555.3320, 1555.3330, 1555.3340, 1555.3350, 1555.3360, 1555.3370, 1555.3380, 1555.3390, 1555.3400, 1555.3410, 1555.3420, 1555.3430, 1555.3440, 1555.3450, 1555.3460, 1555.3470, 1555.3480, 1555.3490, 1555.3500, 1555.3510, 1555.3520, 1555.3530, 1555.3540, 1555.3550, 1555.3560, 1555.3570, 1555.3580, 1555.3590, 1555.3600, 1555.3610,

1555.3620, 1555.3630, 1555.3640, 1555.3650, 1555.3660, 1555.3680, 1555.3700, 1555.3720, 1555.3730, 1555.3750, 1555.3770, 1555.3780, 1555.3790, 1555.3800, 1555.3830, 1555.3850, 1555.3860, 1555.3870, 1555.3880, 1555.3890, 1555.3900, 1555.3910, 1555.3920, 1555.3990, 1555.4000, 1555.4100, and 1555.4110, are repealed.

(c) Minnesota Rules parts 7402.0100, 7402.0200, 7402.0300, 7402.0400, and 7402.0500, are repealed.

Sec. 8. [EFFECTIVE DATE.]

Sections 1 to 3, 5, and 6 are effective the day following final enactment. Section 7, paragraphs (a) and (b) are effective July 1, 2000."

Delete the title and insert:

"A bill for an act relating to state government; authorizing legislative governmental operations committees to formally object to administrative rules; modifying the review of proposed rules; providing for the review and repeal of certain administrative rules; creating a rules task force; providing appointments; requiring a report on teacher preparation programs; amending Minnesota Statutes 1998, sections 3.842, subdivision 4a; and 14.15, subdivision 4; Minnesota Statutes 1999 Supplement, section 14.26, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 14; repealing Minnesota Rules, parts 1200.0200; 1200.0300; 1250.0200; 1250.0300; 1250.0400; 1250.0500; 1250.0600; 1250.0700; 1250.0800; 1250.0900; 1250.1000; 1250.1100; 1250.1200; 1265.0100; 1265.0200; 1265.0300; 1265.0400; 1265.0500; 1265.0600; 1555.2205 to 1555.2410; 1555.2440 to 1555.3920; 1555.3990 to 1555.4110; 7402.0100; 7402.0200; 7401.0300; 7402.0400; and 7402.0500."

We request adoption of this report and repassage of the bill.

Senate Conferees: JOHN C. HOTTINGER, DON BETZOLD AND DAN STEVENS.

House Conferees: MARTY SEIFERT, JIM RHODES AND GENE PELOWSKI, JR.

Seifert, M., moved that the report of the Conference Committee on S. F. No. 3234 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 3234, A bill for an act relating to state government; authorizing legislative governmental operations committees to formally object to administrative rules; modifying the review of proposed rules; creating a rules task force; providing appointments; amending Minnesota Statutes 1998, sections 3.842, subdivision 4a; and 14.15, subdivision 4; Minnesota Statutes 1999 Supplement, section 14.26, subdivision 3.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 116 yeas and 14 nays as follows:

Those who voted in the affirmative were:

Abeler	Biernat	Buesgens	Daggett	Dorn	Folliard
Abrams	Bishop	Carlson	Davids	Entenza	Fuller
Anderson, B.	Boudreau	Cassell	Dehler	Erhardt	Gerlach
Anderson, I.	Bradley	Chaudhary	Dempsey	Erickson	Goodno
Bakk	Broecker	Clark, J.	Dorman	Finseth	Greenfield

Greiling	Kahn	Lindner	Osskopp	Schumacher	Tunheim
Gunther	Kalis	Luther	Osthoff	Seagren	Van Dellen
Haake	Kelliher	Mares	Otremba	Seifert, J.	Vandever
Haas	Kielkucki	Marko	Ozment	Seifert, M.	Wenzel
Hackbarth	Knoblach	McCollum	Paulsen	Skoe	Westerberg
Harder	Koskinen	McElroy	Pawlenty	Smith	Westfall
Hasskamp	Krinkie	McGuire	Pelowski	Stanek	Westrom
Hilty	Kubly	Milbert	Peterson	Stang	Wilkin
Holberg	Kuisle	Molnau	Pugh	Storm	Winter
Holsten	Larsen, P.	Mulder	Rest	Swapinski	Workman
Howes	Larsen, D.	Murphy	Reuter	Swenson	Spk. Sviggum
Huntley	Leighton	Ness	Rhodes	Sykora	
Jennings	Lenczewski	Nornes	Rifenberg	Tingelstad	
Johnson	Leppik	Olson	Rostberg	Tomassoni	
Juhnke	Lieder	Opatz	Rukavina	Tuma	

Those who voted in the negative were:

Carruthers	Gleason	Mahoney	Paymar	Wagenius
Clark, K.	Gray	Mariani	Skoglund	Wejcman
Dawkins	Jaros	Mullery	Trimble	

The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 11.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 11

A bill for an act relating to domestic abuse; providing for a six-year statute of limitations for causes of action based on domestic abuse; amending Minnesota Statutes 1998, section 541.05, subdivision 1; Minnesota Statutes 1999 Supplement, section 541.07.

May 2, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 11, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 11 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 541.05, subdivision 1, is amended to read:

Subdivision 1. Except where the Uniform Commercial Code otherwise prescribes, the following actions shall be commenced within six years:

- (1) Upon a contract or other obligation, express or implied, as to which no other limitation is expressly prescribed;
- (2) Upon a liability created by statute, other than those arising upon a penalty or forfeiture or where a shorter period is provided by section 541.07;
- (3) For a trespass upon real estate;
- (4) For taking, detaining, or injuring personal property, including actions for the specific recovery thereof;
- (5) For criminal conversation, or for any other injury to the person or rights of another, not arising on contract, and not hereinafter enumerated;
- (6) For relief on the ground of fraud, in which case the cause of action shall not be deemed to have accrued until the discovery by the aggrieved party of the facts constituting the fraud;
- (7) To enforce a trust or compel a trustee to account, where the trustee has neglected to discharge the trust, or claims to have fully performed it, or has repudiated the trust relation;
- (8) Against sureties upon the official bond of any public officer, whether of the state or of any county, town, school district, or a municipality therein; in which case the limitation shall not begin to run until the term of such officer for which the bond was given shall have expired;
- (9) For damages caused by a dam, used for commercial purposes; or
- (10) For assault, battery, false imprisonment, or other tort, resulting in personal injury, if the conduct that gives rise to the cause of action also constitutes domestic abuse as defined in section 518B.01.

Sec. 2. Minnesota Statutes 1999 Supplement, section 541.07, is amended to read:

541.07 [TWO- OR THREE-YEAR LIMITATIONS.]

Except where the Uniform Commercial Code, this section, section 148A.06, 541.05, 541.073, or 541.076 otherwise prescribes, the following actions shall be commenced within two years:

- (1) for libel, slander, assault, battery, false imprisonment, or other tort, resulting in personal injury, and all actions against veterinarians as defined in chapter 156, for malpractice, error, mistake or failure to cure, whether based on contract or tort; provided a counterclaim may be pleaded as a defense to any action for services brought by a veterinarian after the limitations period if it was the property of the party pleading it at the time it became barred and was not barred at the time the claim sued on originated, but no judgment thereof except for costs can be rendered in favor of the party so pleading it;
- (2) upon a statute for a penalty or forfeiture, except as provided in sections 541.074 and 541.075;
- (3) for damages caused by a dam, other than a dam used for commercial purposes; but as against one holding under the preemption or homestead laws, the limitations shall not begin to run until a patent has been issued for the land so damaged;

(4) against a master for breach of an indenture of apprenticeship; the limitation runs from the expiration of the term of service;

(5) for the recovery of wages or overtime or damages, fees or penalties accruing under any federal or state law respecting the payment of wages or overtime or damages, fees or penalties except, that if the employer fails to submit payroll records by a specified date upon request of the department of labor and industry or if the nonpayment is willful and not the result of mistake or inadvertence, the limitation is three years. (The term "wages" means all remuneration for services or employment, including commissions and bonuses and the cash value of all remuneration in any medium other than cash, where the relationship of master and servant exists and the term "damages" means single, double, or treble damages, accorded by any statutory cause of action whatsoever and whether or not the relationship of master and servant exists);

(6) for damages caused by the establishment of a street or highway grade or a change in the originally established grade;

(7) against the person who applies the pesticide for injury or damage to property resulting from the application, but not the manufacture or sale, of a pesticide.

Sec. 3. [JOINT DOMESTIC ABUSE PROSECUTION UNIT.]

Subdivision 1. [ESTABLISHMENT.] A pilot project may be established to develop a joint domestic abuse prosecution unit administered by the Ramsey county attorney's office and the St. Paul city attorney's office. The unit would have authority to prosecute misdemeanors, gross misdemeanors, and felonies. The unit would also coordinate efforts with child protection attorneys. The unit would include four cross-deputized assistant city attorneys and assistant county attorneys. A victim/witness advocate, a law clerk, and a legal secretary would provide support.

Subd. 2. [GOALS.] The goals of this pilot project are to:

(1) recognize children as both victims and witnesses in domestic abuse situations;

(2) recognize and respect the interests of children in the prosecution of domestic abuse; and

(3) reduce the exposure to domestic violence for both adult and child victims.

Subd. 3. [REPORT.] If the project is established, the Ramsey county attorney's office and the St. Paul city attorney's office must report to the legislature on the pilot project. The report may include the number and types of cases referred, the number of cases charged, the outcome of cases, and other relevant outcome measures. A progress report is due January 15, 2001, and a final report is due January 15, 2002.

Subd. 4. [SHARING OF PILOT PROJECT RESULTS.] If the project is established, the Ramsey county attorney's office and the St. Paul city attorney's office must share the results of the pilot project with the state and other counties and cities.

Sec. 4. [EFFECTIVE DATE.]

Sections 1 and 2 are effective August 1, 2000, and apply to causes of action arising on or after that date."

Delete the title and insert:

"A bill for an act relating to domestic abuse; providing for a six-year statute of limitations for causes of action based on domestic abuse; authorizing a joint domestic abuse prosecution unit pilot project in Ramsey county; amending Minnesota Statutes 1998, section 541.05, subdivision 1; Minnesota Statutes 1999 Supplement, section 541.07."

We request adoption of this report and repassage of the bill.

Senate Conferees: DON BETZOLD, EMBER R. JUNGE AND DAVID L. KNUTSON.

House Conferees: DAVE BISHOP, SHERRY BROECKER AND ANDY DAWKINS.

Bishop moved that the report of the Conference Committee on S. F. No. 11 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 11, A bill for an act relating to domestic abuse; providing for a six-year statute of limitations for causes of action based on domestic abuse; amending Minnesota Statutes 1998, section 541.05, subdivision 1; Minnesota Statutes 1999 Supplement, section 541.07.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dorman	Holsten	Lindner	Paulsen	Swapinski
Abrams	Dorn	Howes	Luther	Pawlenty	Swenson
Anderson, B.	Entenza	Huntley	Mahoney	Paymar	Sykora
Anderson, I.	Erhardt	Jaros	Mares	Pelowski	Tingelstad
Bakk	Erickson	Jennings	Mariani	Peterson	Tomassoni
Biernat	Finseth	Johnson	Marko	Pugh	Trimble
Bishop	Folliard	Juhnke	McCollum	Rest	Tuma
Boudreau	Fuller	Kahn	McElroy	Reuter	Tunheim
Bradley	Gerlach	Kalis	McGuire	Rhodes	Van Dellen
Broecker	Gleason	Kelliher	Milbert	Rifenberg	Vandever
Buesgens	Goodno	Kielkucki	Molnau	Rostberg	Wagenius
Carlson	Gray	Knoblach	Mulder	Rukavina	Wejzman
Carruthers	Greenfield	Koskinen	Mullery	Schumacher	Wenzel
Cassell	Greiling	Krinkie	Murphy	Seagren	Westerberg
Chaudhary	Gunther	Kubly	Ness	Seifert, J.	Westfall
Clark, J.	Haake	Kuile	Nornes	Seifert, M.	Westrom
Clark, K.	Haas	Larsen, P.	Olson	Skoe	Wilkin
Daggett	Hackbarth	Larson, D.	Opatz	Skoglund	Winter
Davids	Harder	Leighton	Osskopp	Smith	Workman
Dawkins	Hasskamp	Lenczewski	Osthoff	Stanek	Spk. Sviggum
Dehler	Hilty	Leppik	Otremba	Stang	
Dempsey	Holberg	Lieder	Ozment	Storm	

The bill was repassed, as amended by Conference, and its title agreed to.

Pawlenty moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Paulsen.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 4127

A bill for an act relating to financing state and local government; providing a sales tax rebate; extending the time to qualify for and making certain other changes to the 1999 sales tax rebate; providing agricultural assistance; reducing individual income tax rates; making changes to income, franchise, withholding, sales and use, property, motor vehicle sales and registration, mortgage registry, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, lawful gambling, taconite production, solid waste, estate, and special taxes; changing and allowing tax credits, subtractions, and exemptions; conforming with changes in federal income tax provisions; providing for allocation and apportionment of income; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, deferral, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; authorizing certain light rail transit spending if approved by the voters; reducing rates of health care provider taxes; reducing rates on lawful gambling and solid waste management taxes; changing tax increment financing provisions; providing special authority for certain political subdivisions; changing and clarifying tax administration, collection, enforcement, interest, and penalty provisions; changing revenue recapture provisions; freezing the taconite production tax; regulating state and local business subsidies; modifying certain aids to local units of government; recodifying sales and use taxes; recodifying insurance tax laws; establishing a legislative budget office; validating corporations established by political subdivisions and regulating their financing; changing county reporting requirements; providing certain duties and powers to the commissioner of revenue, the state auditor, and to the attorney general; defining terms; classifying data; requiring studies; providing for the transfer of excess surplus in the workers' compensation assigned risk plan; appropriating money; amending Minnesota Statutes 1998, sections 3.98, subdivision 3; 8.30; 16A.46; 37.13; 43A.316, subdivision 9; 43A.317, subdivision 8; 60A.15, subdivision 1; 60A.19, subdivision 8; 60A.198, subdivision 3; 60A.208, subdivision 8; 60A.209, subdivision 3; 60C.17; 60E.04, subdivision 4; 60E.095; 61B.30, subdivision 1; 62C.01, subdivision 3; 62E.10, subdivision 1; 62E.13, subdivision 10; 62L.13, subdivision 3; 62T.10; 64B.24; 71A.04, subdivision 1; 79.252, subdivision 4; 79.34, subdivision 1a; 115A.557, subdivision 3; 115A.69, subdivision 6; 116A.25; 126C.01, by adding a subdivision; 126C.17, subdivision 10; 176A.08; 238.08, subdivision 3; 270.063, by adding a subdivision; 270.072, subdivision 2, and by adding a subdivision; 270A.03, subdivision 7; 270A.07, subdivision 1; 273.111, subdivision 3; 273.124, by adding a subdivision; 273.125, subdivision 8; 273.37, subdivision 3; 275.065, subdivisions 3, 6, 8, and by adding a subdivision; 275.07, subdivision 1; 275.08, subdivision 1b; 275.70, by adding a subdivision; 275.72, subdivisions 1 and 3; 276.19, subdivision 1; 289A.08, by adding a subdivision; 289A.20, subdivision 2; 289A.26, subdivision 1; 289A.31, subdivision 7; 289A.35; 289A.60, subdivisions 1 and 14; 290.01, subdivisions 19c and 19d; 290.015, subdivisions 1, 3, and 4; 290.06, subdivision 22, and by adding subdivisions; 290.0671, subdivision 6; 290.0672, subdivisions 1 and 2; 290.0673, subdivision 8; 290.17, subdivision 2; 290.35, subdivisions 2, 3, and 6; 290.92, subdivisions 3, 28, and 29; 290B.04, by adding a subdivision; 290B.05, subdivision 3; 290B.07; 290B.08, subdivisions 1 and 2; 290B.09, subdivision 2; 295.50, subdivision 9b; 295.58; 296A.03, subdivision 5; 296A.21, subdivisions 2 and 3; 296A.22, subdivision 6; 297A.01, subdivisions 13, 15, 16, and by adding a subdivision; 297A.15, by adding a subdivision; 297A.25, subdivisions 5, 16, 34, 62, 76, and by adding subdivisions; 297B.01, subdivision 7; 297B.03; 297E.02, by adding a subdivision; 297F.01, subdivisions 7, 14, 17, and by adding subdivisions; 297F.08, subdivisions 2, 5, 8, and 9; 297F.13, subdivision 4; 297F.21, subdivisions 1 and 3; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 297H.02, subdivision 2; 297H.03, subdivision 2; 297H.04, subdivision 2; 297H.13, subdivisions 2, 4, and by adding a subdivision; 360.035; 424.165; 429.011, subdivisions 2a and 5; 429.021, subdivision 1; 429.031, subdivision 1; 458A.09; 458A.30; 458D.23; 469.040, by adding a subdivision; 469.115; 469.127; 469.1734, subdivision 4; 469.174, subdivisions 9, 10, 11, 12, 14, and 22; 469.175, subdivisions 1a, 2, 2a, 3, 4, 5, and 6; 469.176, subdivisions 1b and 4d; 469.1761, subdivision 4; 469.1763, subdivision 2, and by adding a subdivision; 469.177, subdivision 1; 469.1813, subdivision 4; 473.388, subdivisions 4 and 7; 473.446, subdivision 1, and by adding a subdivision; 473.448; 473.545; 473.608, subdivision 2; and 477A.06, subdivision 3; Minnesota Statutes 1999 Supplement, sections 16D.09, subdivision 2; 43A.23, subdivision 1; 60A.19, subdivision 6; 116J.993, subdivision 3; 116J.994, subdivisions 1, 3, 4, 5, 6, 7, 8, and 9; 116J.995; 168.012, subdivision 1; 270.65; 270A.03, subdivision 2; 270A.07, subdivision 2; 272.02, subdivision 39, and by adding a subdivision; 273.11, subdivision 1a; 273.124, subdivisions 1, 8, and 14; 273.13, subdivisions 22, 23, 24, 25, and 31; 273.1382, subdivisions 1, 1a, and 1b; 273.1398, subdivisions 1a and 4a; 275.065, subdivision 5a; 275.70,

subdivision 5; 275.71, subdivisions 2, 3, and 4; 287.01, subdivision 2; 289A.02, subdivision 7; 289A.20, subdivision 4; 289A.55, subdivision 9; 290.01, subdivisions 19, 19b, and 31; 290.06, subdivisions 2c and 2d; 290.0671, subdivision 1; 290.0674, subdivision 2; 290.0675, subdivisions 1, 2, and 3; 290.091, subdivisions 1, 2, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290A.03, subdivision 15; 290B.03, subdivision 1; 290B.05, subdivision 1; 291.005, subdivision 1; 295.52, subdivision 7; 295.53, subdivision 1; 297A.25, subdivisions 9 and 11; 297E.02, subdivisions 1, 4, and 6; 297F.08, subdivision 8a; 297H.05; 298.24, subdivision 1; 383D.74, subdivision 2; 469.101, subdivision 2; 469.1771, subdivision 1; 469.1813, subdivisions 1 and 6; 477A.011, subdivision 36; 477A.03, subdivision 2; 477A.06, subdivision 1; and 505.08, subdivision 3; Laws 1987, chapter 402, section 2, subdivisions 1, 4, and 5; Laws 1988, chapter 645, section 3, as amended; Laws 1995, First Special Session chapter 3, article 15, section 25; Laws 1997, chapter 231, article 1, section 19, subdivisions 1, as amended, and 3, as amended; Laws 1999, chapter 112, section 1, subdivision 1; Laws 1999, chapter 243, article 1, section 2; article 6, section 18; proposing coding for new law in Minnesota Statutes, chapters 3; 273; 278; 297A; 465; and 473; proposing coding for new law as Minnesota Statutes, chapter 297I; repealing Minnesota Statutes 1998, sections 60A.15; 60A.152; 60A.198, subdivision 6; 60A.199, subdivisions 2, 3, 4, 5, 6, 6a, 7, 8, 9, 10, and 11; 60A.209, subdivisions 4 and 5; 69.54; 69.55; 69.56; 69.57; 69.58; 69.59; 69.60; 69.61; 71A.04, subdivision 2; 270.072, subdivision 5; 270.075, subdivisions 3 and 4; 270.083; 273.127; 273.13, subdivision 24a; 273.1316; 297A.01; 297A.02; 297A.022; 297A.023; 297A.03; 297A.04; 297A.041; 297A.06; 297A.065; 297A.07; 297A.09; 297A.10; 297A.11; 297A.12; 297A.13; 297A.135; 297A.14; 297A.141; 297A.15; 297A.16; 297A.17; 297A.18; 297A.21; 297A.211; 297A.213; 297A.22; 297A.23; 297A.24; 297A.25; 297A.2531; 297A.2545; 297A.255; 297A.256; 297A.2571; 297A.2572; 297A.2573; 297A.259; 297A.26; 297A.28; 297A.33, subdivision 2; 297A.44, subdivision 1; 297A.46; 297A.47; 297A.48; 299F.21; 299F.22; 299F.23; 299F.24; 299F.25; 299F.26; 465.715, subdivisions 1, 2, and 3; 469.055, subdivision 5; 469.101, subdivision 21; 469.135; 469.136; 469.137; 469.138; 469.139; 469.140; 469.174, subdivision 13; 469.175, subdivision 6a; and 469.176, subdivision 4a; Minnesota Statutes 1999 Supplement, sections 290.06, subdivision 26; 290.9726, subdivision 7; and 465.715, subdivision 1a; Minnesota Rules, parts 2765.1500, subpart 6; and 8160.0300, subpart 4.

May 9, 2000

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

We, the undersigned conferees for H. F. No. 4127, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 4127 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

2000 SALES TAX REBATE

Section 1. [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources, including the state sales tax.

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1998.

(c) Information concerning the amount of sales tax paid at various income levels is contained in the Minnesota tax incidence report, which is written by the commissioner of revenue and presented to the legislature according to Minnesota Statutes, section 270.0682.

(d) It is fair and reasonable to use information contained in the Minnesota tax incidence report, updated to calendar year 1998, to determine the proportionate share of the sales tax rebate due each eligible taxpayer since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual.

Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1998, chapter 389, article 1, section 1, and who filed for or received that credit on or before November 30, 2000; or

(2) was a resident of Minnesota for any part of 1998, and filed a 1998 Minnesota income tax return on or before November 30, 2000, and had a tax liability before refundable credits on that return of at least \$1 but did not file the claim for credit authorized under Laws 1998, chapter 389, article 1, section 1, as amended, and who was not allowed to be claimed as a dependent on a 1998 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1998, chapter 383, section 20, shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
<u>less than \$2,500</u>	<u>\$168</u>
<u>at least \$2,500 but less than \$5,000</u>	<u>\$217</u>
<u>at least \$5,000 but less than \$10,000</u>	<u>\$231</u>
<u>at least \$10,000 but less than \$15,000</u>	<u>\$253</u>
<u>at least \$15,000 but less than \$20,000</u>	<u>\$275</u>
<u>at least \$20,000 but less than \$25,000</u>	<u>\$299</u>
<u>at least \$25,000 but less than \$30,000</u>	<u>\$312</u>
<u>at least \$30,000 but less than \$35,000</u>	<u>\$338</u>
<u>at least \$35,000 but less than \$40,000</u>	<u>\$369</u>
<u>at least \$40,000 but less than \$45,000</u>	<u>\$396</u>
<u>at least \$45,000 but less than \$50,000</u>	<u>\$417</u>
<u>at least \$50,000 but less than \$60,000</u>	<u>\$444</u>
<u>at least \$60,000 but less than \$70,000</u>	<u>\$476</u>
<u>at least \$70,000 but less than \$80,000</u>	<u>\$523</u>
<u>at least \$80,000 but less than \$90,000</u>	<u>\$562</u>
<u>at least \$90,000 but less than \$100,000</u>	<u>\$620</u>
<u>at least \$100,000 but less than \$120,000</u>	<u>\$671</u>
<u>at least \$120,000 but less than \$140,000</u>	<u>\$735</u>
<u>at least \$140,000 but less than \$160,000</u>	<u>\$795</u>
<u>at least \$160,000 but less than \$180,000</u>	<u>\$851</u>
<u>at least \$180,000 but less than \$200,000</u>	<u>\$904</u>
<u>at least \$200,000 but less than \$400,000</u>	<u>\$1,157</u>
<u>at least \$400,000 but less than \$600,000</u>	<u>\$1,522</u>
<u>at least \$600,000 but less than \$800,000</u>	<u>\$1,826</u>
<u>at least \$800,000 but less than \$1,000,000</u>	<u>\$2,093</u>
<u>\$1,000,000 and over</u>	<u>\$2,400</u>

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
<u>less than \$2,500</u>	<u>\$95</u>
<u>at least \$2,500 but less than \$5,000</u>	<u>\$116</u>
<u>at least \$5,000 but less than \$10,000</u>	<u>\$137</u>
<u>at least \$10,000 but less than \$15,000</u>	<u>\$184</u>
<u>at least \$15,000 but less than \$20,000</u>	<u>\$210</u>
<u>at least \$20,000 but less than \$25,000</u>	<u>\$228</u>
<u>at least \$25,000 but less than \$30,000</u>	<u>\$238</u>
<u>at least \$30,000 but less than \$40,000</u>	<u>\$259</u>
<u>at least \$40,000 but less than \$50,000</u>	<u>\$290</u>
<u>at least \$50,000 but less than \$70,000</u>	<u>\$342</u>
<u>at least \$70,000 but less than \$100,000</u>	<u>\$435</u>
<u>at least \$100,000 but less than \$140,000</u>	<u>\$524</u>
<u>at least \$140,000 but less than \$200,000</u>	<u>\$632</u>
<u>at least \$200,000 but less than \$400,000</u>	<u>\$857</u>
<u>at least \$400,000 but less than \$600,000</u>	<u>\$1,128</u>
<u>\$600,000 and over</u>	<u>\$1,200</u>

(d) Individuals who were not residents of Minnesota for any part of 1998 and who paid more than \$10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner by November 30, 2000. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 29.7 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1998 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1997, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1998 income tax return, including subsequent adjustments to that return made within the time limits specified in paragraph (l). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return, including subsequent adjustments to that return made within the time limits specified in paragraph (l). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1997, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1997.

(f) Individuals who were residents of Minnesota for all of 1998, were not eligible for a rebate under paragraph (a), attained the age of 18 on or before December 31, 1998, and received in 1998 social security benefits as defined in section 86(d)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1999, are entitled to a rebate of \$95. If the Social Security Administration or Railroad Retirement Board is paying benefits to a recipient by electronic funds transfers in 2000, the rebate under this paragraph must be paid by the commissioner through electronic funds transfer to the same financial institution and into the same account into which the Social Security Administration or Railroad Retirement Board transfers social security benefits in calendar year 2000.

(g) An individual who:

(1) was allowed to be claimed as a dependent on a 1998 federal income tax return filed by another person;

(2) would have otherwise been eligible for a rebate under clause (a)(2); and

(3) reported earned income as defined in section 32(c)(2)(A)(i) of the Internal Revenue Code,

is eligible for a rebate under this paragraph only. The rebate under this paragraph equals 35 percent of the amount allowed under the schedule in paragraph (c) based on the individual's income. For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the rebate calculated under this paragraph multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return.

(h) An individual who

(1) was a resident of Minnesota for any part of 1998;

(2) was not eligible for a rebate under paragraph (a) or (f);

(3) was not allowed to be claimed as a dependent on a 1998 federal income tax return by another person; and

(4) filed a 1998 Minnesota income tax return before November 30, 2000, in order to

(i) claim a credit under section 290.067, 290.0671, or 290.0674;

(ii) claim a refund of withheld taxes; or

(iii) claim a refund of estimated taxes,

is eligible for a rebate under this paragraph only. For married couples filing joint returns and heads of households, the rebate equals the minimum amount in paragraph (b). For single filers and married individuals filing separate returns, the rebate equals the minimum amount in paragraph (c). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the rebate calculated under this paragraph multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return.

(i) For a fiscal year taxpayer, the dates in paragraphs (a) through (d) are extended one month for each month in calendar year 1998 that occurred prior to the start of the individual's 1998 fiscal tax year.

(j) Before payment, the commissioner of revenue shall adjust the rebate as follows:

the rebates calculated in paragraphs (b), (c), (d), (f), (g), and (h) must be proportionately reduced to account for (i) rebates under paragraphs (g) and (h), and (ii) 1998 income tax returns that are filed on or after January 1, 2000, but before June 1, 2000, so that the estimated amount of sales tax rebates payable under paragraphs (b), (c), (d), (f), (g), and (h) on the date the rebate is processed does not exceed \$635,600,000. The adjustment under this paragraph is not a rule subject to Minnesota Statutes, chapter 14.

(k) The commissioner of revenue may begin making sales tax rebates by July 1, 2000. Sales tax rebates not paid by January 1, 2001, bear interest at the rate specified in Minnesota Statutes, section 270.75.

(l) A sales tax rebate shall not be adjusted based on changes to a 1998 income tax return that are made by order of assessment after the date the rebate is processed, or made by the taxpayer that are filed with the commissioner of revenue after that date.

(m) Individuals who filed a joint income tax return for 1998 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1998 income tax return are living at separate addresses, as indicated on their 1999 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate.

(n) If a rebate is received by the estate of a deceased individual after the probate estate has been closed, and if the original rebate check is returned to the commissioner with a copy of the decree of descent or final account of the estate, social security numbers, and addresses of the beneficiaries, the commissioner may issue separate checks in proportion to their share in the residuary estate in the names of the residuary beneficiaries of the estate.

(o) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

(p) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

(q) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2002, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2002, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

(r) Individuals entitled to a sales tax rebate pursuant to paragraph (a), (f), (g), or (h) but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2001, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

(s) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

(t) The rebate is a reduction of fiscal year 2000 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2000 and is available until June 30, 2002.

(u) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed or the commissioner determines that a rebate was overstated or erroneously issued, the commissioner may issue an order of assessment for the amount of the check or the amount the check is overstated against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

(v) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

(w) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1999 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1999 individual income tax refund.

Sec. 3. [APPROPRIATIONS.]

(a) \$1,730,600 is appropriated from the general fund to the commissioner of revenue to administer the sales tax rebates in this article and in article 3 for fiscal year 2000. Any unencumbered balance remaining on June 30, 2000, does not cancel but is available for expenditure by the commissioner of revenue until June 30, 2001. Notwithstanding Minnesota Statutes, section 16A.285, and except as provided in paragraph (b), the commissioner of revenue may not use this appropriation for any purpose other than administering the 1999 and 2000 sales tax rebates. This is a one-time appropriation and may not be added to the agency's budget base.

(b) Of the amount appropriated in paragraph (a), the necessary amount is transferred from the commissioner of revenue to the legislative auditor, not to exceed \$50,000, for an audit of the appropriations to the department of revenue for administration of the property tax rebates in Laws 1997, chapter 231, article 16, section 29; and Laws 1998, chapter 389, article 1, section 4; and the appropriation for administration of the sales tax rebate in Laws 1999, chapter 243, article 1, section 3. The purpose of this audit is to determine whether the funds appropriated were expended consistent with the purpose of the appropriations. The legislative auditor shall report the findings of the audit to the legislature by January 1, 2001.

(c) \$278,000 is appropriated from the general fund to the state treasurer to pay the cost of clearing sales tax rebate checks through commercial banks.

Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment.

ARTICLE 2

AGRICULTURAL ASSISTANCE

Section 1. Laws 1999, chapter 112, section 1, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Acre" means an acre of effective agricultural use land within the state of Minnesota as reported to the farm service agency on form 156EZ.

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

(d) "Effective agricultural use land" means the land suitable for growing an agricultural crop and excludes land enrolled in the conservation reserve program established by Minnesota Statutes, section 103F.515, or the water bank program established by Minnesota Statutes, section 103F.601.

(e) "Farm" or "farm operation" means an agricultural production operation with a unique farm number as reported on form 156EZ to the farm service agency, which includes at least 40 acres of effective agricultural use land.

(f) "Farm operator" means a person who is identified as the operator of a farm on form 156EZ filed with the farm service agency.

(g) "Farm service agency" means the United States Farm Service Agency.

(h) "Farmer" or "farmer at risk" means a person who produces an agricultural crop or livestock and is reported to the farm service agency as bearing a percentage of the risk for the farm operation.

(i) "Livestock" means cattle, hogs, poultry, and sheep.

(j) "Livestock production facility" means a farm that has produced at least a total of \$10,000 in sales of unprocessed livestock or unprocessed dairy products or receipts from the care of another farmer's livestock as reported on schedule F or form 1065 or form 1120 or 1120S of the farmer's federal income tax return for either taxable years beginning in calendar year 1997 or 1998.

(k) "Person" includes individuals, fiduciaries, estates, trusts, partnerships, joint ventures, and corporations.

EFFECTIVE DATE: This section is effective retroactively to April 23, 1999.

Sec. 2. Laws 1999, chapter 112, section 1, subdivision 2, is amended to read:

Subd. 2. [PAYMENT TO FARMERS.] Every farm operator may apply on a separate form for each farm that they operate to the commissioner for payments as provided under this subdivision. The payment shall be made to each farmer at risk for a farm operation and shall equal \$4, multiplied by the number of acres of the farm operation, multiplied by the percentage of the risk borne by that farmer for that farm operation. If total payments for a farm to all farmers at risk for that farm would exceed \$5,600, the payment to each farmer at risk shall be prorated so that the total payments to all farmers at risk for that farm do not exceed \$5,600.

Applications shall be based on information reported to the farm service agency for crop year 1998 by December 31, 1998. The applications shall include the social security number or federal employer identification number or a producer number assigned by the farm service agency for each farmer and the farm service agency farm number from form 156EZ. The commissioner shall prepare application forms for the payment and ensure that they are available throughout the state. The commissioner shall make payments by June 30, 1999, to each eligible farmer who applies by May 31, 1999, or within 30 days of the application if the application is received after May 31, 1999. In no case will applications be accepted after ~~September~~ June 30, 1999 2000.

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

Sec. 3. Laws 1999, chapter 112, section 1, subdivision 7, is amended to read:

Subd. 7. [CERTIFICATION AND PAYMENT.] Any person eligible for the refund under subdivisions 4 to 8 shall send the commissioner a copy of the certification that the taxpayer received from the county auditor. In no case will applications be accepted after ~~November~~ June 30, 1999 2000. The commissioner shall issue a refund by July 15, 1999, to each qualifying taxpayer who applied by June 15, 1999, or within 30 days of receipt of the application if received after June 15, 1999.

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

Sec. 4. Laws 1999, chapter 112, section 2, is amended to read:

Sec. 2. [APPROPRIATION.]

(a) The amount necessary to fund the payments required under section 1, subdivisions 2 and 7, is appropriated in fiscal year years 1999 and 2000 from the general fund to the commissioner of revenue. This appropriation is available until June 30, ~~2000~~ 2001.

(b) \$68,000 is appropriated in fiscal year 1999 to the commissioner of revenue for distribution to counties for the costs of administering section 1, subdivisions 4 to 8. This appropriation is available until June 30, 2000. The distribution to counties shall be based on the number of refunds received under the provisions of section 1, subdivisions 4 to 8.

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

Sec. 5. [AGRICULTURAL ASSISTANCE IN 2000.]

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Acre" means an acre of agricultural land within a qualified county as reported on the schedule of crop insurance.

(c) "Commissioner" means the commissioner of agriculture.

(d) "Crop insurance" means federal multiple peril crop and revenue insurance, hail and wind crop insurance, or catastrophic crop insurance.

(e) "Person" includes individuals, fiduciaries, estates, trusts, partnerships, joint farm ventures, and corporations.

(f) "Qualified counties" means the counties which were declared as disaster counties in Minnesota by a 1999 presidential declaration or which are contiguous to any one of the counties which was declared a disaster county in Minnesota by a 1999 presidential declaration. The counties are: Aitkin, Becker, Beltrami, Carlton, Cass, Clay, Clearwater, Cook, Crow Wing, Hubbard, Itasca, Kanabec, Kittson, Koochiching, Lake, Lake of the Woods, Mahnomen, Marshall, Mille Lacs, Morrison, Norman, Otter Tail, Pennington, Pine, Polk, Red Lake, Roseau, St. Louis, Todd, Wadena, and Wilkin.

Subd. 2. [PAYMENT.] Every person operating a farm in a qualified county who has obtained crop insurance on that farm may apply on a form prepared by the commissioner for payments as provided under this subdivision. The payment equals \$4, multiplied by the number of acres covered under the crop insurance. In no case shall total payments for any single acre of land exceed \$4.

Applications must be based on information for crop year 2000. The applications must include the applicant's social security number or federal employer identification number and a copy of the schedule of crop insurance for crop year 2000. In the case of a married couple, the social security numbers or federal employer identification numbers are required for both spouses. The commissioner shall prepare application forms for the payments and ensure that they are available in the qualified counties. The commissioner shall make payments by October 1, 2000, to each eligible person who applies by August 15, 2000, or within 45 days of the application if the application is received after August 15, 2000. In no case will applications be accepted after September 30, 2000.

Subd. 3. [LIMIT.] No individual or married couple may receive total payments under this section in excess of \$5,600 whether individually, through the person's pro rata ownership share of another eligible farming entity, or both.

Subd. 4. [PENALTIES.] If the commissioner of agriculture determines that claims for payments under subdivision 2 are or were excessive or were filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the commissioner of agriculture shall notify the commissioner of revenue of the relevant information, and the amount disallowed must be recovered by assessment and collection under Minnesota Statutes, chapters 270 and 289A. The assessment must be made within two years after a check is cashed, but if cashing a check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment may be made at any time. The assessment may be appealed administratively and judicially.

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

Sec. 6. [APPROPRIATION.]

(a) The amount necessary to fund the payments under section 5 is appropriated in fiscal year 2001 from the general fund to the commissioner of agriculture. This appropriation is available until June 30, 2001.

(b) The amount necessary to administer the agricultural assistance program under section 5 is appropriated from the general fund to the commissioner of agriculture, provided that amount shall not exceed \$50,000.

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

ARTICLE 3

1999 SALES TAX REBATE

Section 1. Laws 1999, chapter 243, article 1, section 2, is amended to read:

Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third Special Session chapter 3, section 11, and Laws 1998, chapter 304, and Laws 1998, chapter 389, article 1, section 3, and who filed for or received that credit on or before June 15, 1999; or

(2) was a resident of Minnesota for any part of 1997, and filed a 1997 Minnesota income tax return on or before June 15, 1999, and had a tax liability before refundable credits on that return of at least \$1 but did not file the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, and who was not allowed to be claimed as a dependent on a 1997 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1997, chapter 231, article 2, section 64,

shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 358
at least \$2,500 but less than \$5,000	\$ 469
at least \$5,000 but less than \$10,000	\$ 502
at least \$10,000 but less than \$15,000	\$ 549
at least \$15,000 but less than \$20,000	\$ 604
at least \$20,000 but less than \$25,000	\$ 641
at least \$25,000 but less than \$30,000	\$ 690
at least \$30,000 but less than \$35,000	\$ 762
at least \$35,000 but less than \$40,000	\$ 820
at least \$40,000 but less than \$45,000	\$ 874
at least \$45,000 but less than \$50,000	\$ 921
at least \$50,000 but less than \$60,000	\$ 969
at least \$60,000 but less than \$70,000	\$1,071
at least \$70,000 but less than \$80,000	\$1,162
at least \$80,000 but less than \$90,000	\$1,276
at least \$90,000 but less than \$100,000	\$1,417
at least \$100,000 but less than \$120,000	\$1,535
at least \$120,000 but less than \$140,000	\$1,682

at least \$140,000 but less than \$160,000	\$1,818
at least \$160,000 but less than \$180,000	\$1,946
at least \$180,000 but less than \$200,000	\$2,067
at least \$200,000 but less than \$400,000	\$2,644
at least \$400,000 but less than \$600,000	\$3,479
at least \$600,000 but less than \$800,000	\$4,175
at least \$800,000 but less than \$1,000,000	\$4,785
\$1,000,000 and over	\$5,000

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 204
at least \$2,500 but less than \$5,000	\$ 249
at least \$5,000 but less than \$10,000	\$ 299
at least \$10,000 but less than \$15,000	\$ 408
at least \$15,000 but less than \$20,000	\$ 464
at least \$20,000 but less than \$25,000	\$ 496
at least \$25,000 but less than \$30,000	\$ 515
at least \$30,000 but less than \$40,000	\$ 570
at least \$40,000 but less than \$50,000	\$ 649
at least \$50,000 but less than \$70,000	\$ 776
at least \$70,000 but less than \$100,000	\$ 958
at least \$100,000 but less than \$140,000	\$1,154
at least \$140,000 but less than \$200,000	\$1,394
at least \$200,000 but less than \$400,000	\$1,889
at least \$400,000 but less than \$600,000	\$2,485
\$600,000 and over	\$2,500

(d) Individuals who were not residents of Minnesota for any part of 1997 and who paid more than \$10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before the later of June 15, 1999, or 30 days after the date of enactment of this act. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 69.0 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1996.

(f) An individual who would have been eligible for a rebate under paragraph (a), clause (1) or (2), or (d) had the individual filed a 1997 Minnesota income tax return or claim form by June 15, 1999, who files the return or claim form by June 30, 2000, is eligible for the rebate amount under paragraph (b) as adjusted by paragraph (h) if the individual is married filing joint or head of household and the rebate amount under paragraph (c) as adjusted by paragraph (h) if the individual is married filing separately or single.

(g) For a fiscal year taxpayer, the June 15, 1999, dates in paragraphs (a) through (d) are extended one month for each month in calendar year 1997 that occurred prior to the start of the individual's 1997 fiscal tax year.

(h) Before payment, the commissioner of revenue shall adjust the rebate as follows:

(1) the rebates calculated in paragraphs (b), (c), and (d) must be proportionately reduced to account for 1997 income tax returns that are filed on or after January 1, 1999, but before July 1, 1999, so that the amount of sales tax rebates payable under paragraphs (b), (c), and (d) does not exceed \$1,250,000,000; and

(2) the commissioner of finance shall certify by July 15, 1999, preliminary fiscal year 1999 general fund net nondedicated revenues. The certification shall exclude the impact of any legislation enacted during the 1999 regular session. If certified net nondedicated revenues exceed the amount forecast in February 1999, up to \$50,000,000 of the increase shall be added to the total amount rebated. The commissioner of revenue shall adjust all rebates proportionally to reflect any increases. The total amount of the rebate shall not exceed \$1,300,000,000.

The adjustments under this paragraph are not rules subject to Minnesota Statutes, chapter 14.

~~(g)~~ (i) The commissioner of revenue may begin making sales tax rebates by August 1, 1999. Sales tax rebates not paid by October 1, 1999, bear interest at the rate specified in Minnesota Statutes, section 270.75. Sales tax rebates paid to (1) taxpayers who file their original 1997 Minnesota income tax return after June 15, 1999, and (2) qualifying nonresidents who file a claim for rebate after June 15, 1999,

bear interest at the rate specified in Minnesota Statutes, section 270.75, beginning October 1, 2000.

~~(h)~~ (j) A sales tax rebate shall not be adjusted based on changes to a 1997 income tax return that are made by order of assessment after June 15, 1999, or made by the taxpayer that are filed with the commissioner of revenue after June 15, 1999.

~~(i)~~ (k) Individuals who filed a joint income tax return for 1997 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1997 income tax return are living at separate addresses, as indicated on their 1998 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate. If a rebate is received by the estate of a deceased individual after the probate estate has been closed, and if the original rebate check is returned to the commissioner with a copy of the decree of descent or final account of the estate, social security numbers, and addresses of the beneficiaries, the commissioner may issue separate checks in proportion to their share in the residuary estate in the names of the residuary beneficiaries of the estate.

~~(j)~~ (l) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

~~(k)~~ (m) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

~~(l)~~ (n) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2001, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2001, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

(m) (o) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2000, in a form prescribed by the commissioner. Taxpayers who file their original 1997 Minnesota income tax return after June 15, 1999, and qualifying nonresidents who file a claim for rebate after June 15, 1999, and who do not receive it or who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2001, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

(m) (p) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

(m) (q) The rebate is a reduction of fiscal year 1999 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 1999 and is available until June 30, 2001.

(m) (r) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed or the commissioner determines that a rebate was overstated or erroneously issued, the commissioner may issue an order of assessment for the amount of the check or the amount the check is overstated against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

(m) (s) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

(m) (t) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1998 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1998 individual income tax refund.

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

Sec. 2. [APPLICATION OF LAW.]

The limitation on the total amount of rebates in Laws 1999, chapter 243, article 1, section 2, paragraph (f), does not apply to rebates issued under section 1. To the extent applicable, all other provisions of Laws 1999, chapter 243, article 1, section 2, apply to the rebates paid under section 1.

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

Sec. 3. [APPROPRIATION.]

The amount necessary to pay the rebates under section 1 is appropriated from the general fund to the commissioner of revenue for fiscal years 2000 and 2001.

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

ARTICLE 4

INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1998, section 289A.08, is amended by adding a subdivision to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than 500 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means.

(b) For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.

(c) For tax returns prepared for tax years beginning after December 31, 2001, the "500" in paragraph (a) is reduced to 100.

(d) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

EFFECTIVE DATE: This section is effective for tax returns prepared for taxable years beginning after December 31, 1999.

Sec. 2. Minnesota Statutes 1998, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.] (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Treasury Regulation, section 31.6302-1, without regard to the safe harbor or de minimis rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit for wages paid in the subsequent calendar year by means of a funds transfer as defined in section

336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the deposit is due. If the date the deposit is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the deposit is due.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by means of a funds transfer as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

EFFECTIVE DATE: This section is effective for wages paid after December 31, 1999.

Sec. 3. Minnesota Statutes 1998, section 289A.26, subdivision 1, is amended to read:

Subdivision 1. [MINIMUM LIABILITY.] A corporation subject to taxation under chapter 290 (excluding section 290.92) or an entity subject to taxation under section 290.05, subdivision 3, must make payment of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed \$500, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations ~~electing to file~~ filing one return as ~~permitted~~ under section 289A.08, subdivision 3.

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

Sec. 4. Minnesota Statutes 1998, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. [PENALTY FOR FAILURE TO PAY TAX.] (a) If a tax other than a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is three percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of three percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 24 percent in the aggregate.

If an individual files a state individual income tax return and pays all of the state individual income tax with the filing of a return within six months of the date the return is due and the amount paid by the due date of the return is at least 90 percent of the amount of tax due, as shown on the return, the individual is presumed to have reasonable cause for the late payment.

(b) If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 5. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only for taxable years beginning after December 31, 1999, and before January 1, 2001. If an individual's subtraction under this clause exceeds the individual's taxable income, the excess may be carried forward to taxable years beginning after December 31, 2000, and before January 1, 2002;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

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

(8) to the extent not deducted in determining federal taxable income or used to claim the long-term care insurance credit under section 290.0672, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the percent limit does not apply. If the taxpayer individual deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, section 5011(d), as amended;

(11) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500; ~~and~~

(12) to the extent included in federal taxable income, holocaust victims' settlement payments for any injury incurred as a result of the holocaust, if received by an individual who was persecuted for racial or religious reasons by Nazi Germany or any other Axis regime or an heir of such a person; and

(13) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 6. Minnesota Statutes 1998, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

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

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

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

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

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

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

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

(8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

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

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

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

(12) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(13) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code; and

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

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 7. Minnesota Statutes 1998, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

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

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

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

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

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

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

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

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

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

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

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

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

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

(11) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

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

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

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

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

(16) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code; and

(17) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 8. Minnesota Statutes 1998, section 290.01, subdivision 19e, is amended to read:

Subd. 19e. [DEPRECIATION MODIFICATIONS FOR CORPORATIONS.] In the case of corporations, a modification shall be made for the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system is the same amount as provided in section 168 of the Internal Revenue Code with the following modifications. The modifications apply to taxable years beginning after December 31, 1986, and to property for which deductions under the Tax Reform Act of 1986, Public Law Number 99-514, are elected or apply. The modifications in paragraphs (a) and (c) do not apply to taxable years beginning after December 31, 2000.

(a) For property placed in service after December 31, 1980, and before January 1, 1987, 40 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1985, for 15-, 18-, or 19-year real property shall not be allowed and for all other property 20 percent shall not be allowed.

(b) For property placed in service after December 31, 1987, no modification shall be made.

(c) For property placed in service after July 31, 1986, and before January 1, 1987, for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, and for property placed in service after December 31, 1986, and before January 1, 1988, 15 percent of the allowance pursuant to section 168 of the Internal Revenue Code shall not be allowed.

(d) For property placed in service after December 31, 1980, and before January 1, 1987, for which the taxpayer elects to use the straight line method provided in section 168(b)(3), (f)(12), or (j)(1) or a method provided in section 168(e)(2) of the Internal Revenue Code, as amended through December 31, 1986, but excluding property for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, the modifications provided in paragraph (a) do not apply.

(e) For taxable years beginning before January 1, 2001, for property subject to the modifications contained in paragraphs (a) and (c) and Minnesota Statutes 1986, section 290.09, subdivision 7, clause (c), the following modification shall be made after the entire amount of the allowable deduction has been allowed for federal tax purposes for that property under the provisions of section 168 of the Internal Revenue Code. The remaining depreciable basis in those assets for Minnesota purposes, including the amount of any basis reduction to reflect the investment tax credit for federal purposes under sections 48(q) and 49(d) of the Internal Revenue Code, shall be a depreciation allowance computed using the straight line method over the following number of years:

- (1) three-year property, one year;
- (2) five-year and seven-year property, two years;
- (3) ten-year property, five years; and
- (4) all other property, seven years.

(f) For taxable years beginning after December 31, 2000, the amount of any remaining modification made under paragraph (a) or (c) or Minnesota Statutes 1986, section 290.09, subdivision 7, clause (c), not previously deducted under paragraph (e), including the amount of any basis reduction to reflect the federal investment tax credit for federal purposes under section 48(q) and 49(d) of the Internal Revenue Code, is a depreciation allowance in the first taxable year after December 31, 2000.

(g) For taxable years beginning before January 1, 2001, and for property placed in service after December 31, 1987, the remaining depreciable basis for Minnesota purposes that is attributable to the basis reduction for federal purposes to reflect the investment tax credit under sections 48(q) and 49(d) of the Internal Revenue Code, shall be allowed as a deduction in the first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code, has been allowed, except that where the straight line method provided in section 168(b)(3) is used, the deduction provided in this clause shall be allowed in the last taxable year in which an allowance for depreciation is allowed for that property.

~~(g)~~ (h) For qualified timber property for which the taxpayer made an election under section 194 of the Internal Revenue Code, the remaining depreciable basis for Minnesota purposes is allowed as a deduction in the first taxable year after the entire allowable deduction has been allowed for federal tax purposes.

~~(h)~~ (i) The basis of property to which section 168 of the Internal Revenue Code applies is its basis as provided in this chapter including the modifications provided in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c). The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code apply but must be calculated using the basis provided in the preceding sentence.

(j) The basis of an asset acquired in an exchange of assets, including an involuntary conversion, is the same as its federal basis under the provisions of the Internal Revenue Code, except that the difference in basis due to the modifications in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), is a deduction as provided in paragraph (e).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 2000.

Sec. 9. Minnesota Statutes 1998, section 290.015, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property that is located in this state or tangible personal property located, including but not limited to mobile property, that is present in this state as defined in section 290.191, subdivision 6, paragraph (e); is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services which are performed from outside this state but the services are received in this state;

(3) transactions with customers in this state that involve intangible property and result in ~~income flowing to the person from within~~ receipts attributed to this state as provided in section 290.191, subdivision 5 or 6;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 5, paragraph (g), or 6, paragraph (e); and

(5) sales and leases of real property located in this state; ~~and~~

~~(6) if a financial institution, deposits received from customers in this state.~~

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraph, telephone, computer database, cable, optic, microwave, or other communication system.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 10. Minnesota Statutes 1998, section 290.015, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384, or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, a financial asset securitization investment trust, or a regulated investment company or a fund of a regulated investment company, as those terms are defined in the Internal Revenue Code;

(2) an interest in money market instruments or securities as defined in section 290.191, subdivision 6, paragraphs (c) and (d);

(3) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables;

(4) an interest acquired from a person in assets described in section 290.191, subdivision 11, paragraphs (e) to (l), subject to the provisions of paragraph (c), clause (2)(A);

(5) an interest acquired from a person in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), subject to the provisions of paragraph (c), clause (2)(A);

(6) an interest acquired from a person in a funded or unfunded agreement to extend or guarantee credit whether conditional, mandatory, temporary, standby, secured, or otherwise, subject to the provisions of paragraph (c), clause (2)(A);

(7) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time; or

(8) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.

(c)(1) For purposes of paragraph (b), clauses (4) to (6), an interest in the type of assets or credit agreements described is deemed to exist at the time the owner becomes legally obligated, conditionally or unconditionally, to fund, acquire, renew, extend, amend, or otherwise enter into the credit arrangement.

(2)(A) An owner has acquired an interest from a person in paragraph (b), clauses (4) to (6), assets if:

(i) the owner at the time of the acquisition of the asset does not own, directly or indirectly, 15 percent or more of the outstanding stock or in the case of a partnership 15 percent or more of the capital or profit interests of the person from whom it acquired the asset;

(ii) the person from whom the owner acquired the asset regularly sells, assigns, or transfers interests in paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to three or more persons; and

(iii) the person from whom the owner acquired the asset does not sell, assign, or transfer 75 percent or more of its paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to the owner.

For purposes of determining indirect ownership under item (i), the owner is deemed to own all stock, capital, or profit interests owned by another person if the owner directly owns 15 percent or more of the stock, capital, or profit interests in the other person. The owner is also deemed to own through any intermediary parties all stock, capital, and profit interests directly owned by a person to the extent there exists a 15 percent or more chain of ownership of stock, capital, or profit interests between the owner, intermediary parties and the person.

(B) If the owner of the asset is a member of ~~the~~ a unitary group business, paragraph (b), clauses (4) to (8), do not apply to an interest acquired from another member of the unitary group business. If the interest in the asset was originally acquired from a nonunitary member and at that time qualified as a section 290.015, subdivision 3, paragraph (b), asset, the foregoing limitation does not apply.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 11. Minnesota Statutes 1998, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business.

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota, referred to as the "non-Minnesota person", from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made. This paragraph is subject to the limitations contained in subdivision 3, paragraph (b), clauses (4) to (6).

(c) ~~No~~ Contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, or with respect to deposits received from or by a Minnesota financial institution, shall not be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. ~~The fact of~~ Participation by a Minnesota financial institution in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary group business.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 12. Minnesota Statutes 1999 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first ~~\$25,220~~ \$25,680, ~~5.5~~ 5.35 percent;
- (2) On all over ~~\$25,220~~ \$25,680, but not over ~~\$100,200~~ \$102,030, ~~7.25~~ 7.05 percent;
- (3) On all over ~~\$100,200~~ \$102,030, ~~8~~ 7.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$17,250~~ \$17,570, ~~5.5~~ 5.35 percent;
- (2) On all over ~~\$17,250~~ \$17,570, but not over ~~\$56,680~~ \$57,710, ~~7.25~~ 7.05 percent;
- (3) On all over ~~\$56,680~~ \$57,710, ~~8~~ 7.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$21,240~~ \$21,630, ~~5.5~~ 5.35 percent;
- (2) On all over ~~\$21,240~~ \$21,630, but not over ~~\$85,350~~ \$86,910, ~~7.25~~ 7.05 percent;
- (3) On all over ~~\$85,350~~ \$86,910, ~~8~~ 7.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1) and (6), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1) and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, clause (1).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 13. Minnesota Statutes 1999 Supplement, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1999~~ 2000, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1998~~ 1999, and before January 1, ~~2000~~ 2001. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1998~~ 1999" shall be substituted for the word "1992." For ~~2000~~ 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1998~~ 1999, to the 12 months ending on August 31, ~~1999~~ 2000, and in each subsequent year, from the 12 months ending on August 31, ~~1998~~ 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 14. Minnesota Statutes 1998, section 290.06, subdivision 22, is amended to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, clause (2), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, ~~paragraph (c)~~, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state or province or territory of Canada by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state or province or territory of Canada on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state or province or territory of Canada. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

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

Sec. 15. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 22a. [NONRESIDENT'S CREDIT FOR TAXES PAID TO STATE OF DOMICILE.] (a) Notwithstanding subdivision 22, a nonresident who is subject to tax in this state on the gain on the sale of a partnership interest, which is allocable to this state under section 290.17, subdivision 2, paragraph (c), is allowed a credit for the tax paid to the state of the individual's domicile upon the gain in the taxable year or a subsequent taxable year. This credit is only allowed if the state of domicile does not allow a credit for the tax paid to Minnesota on the gain.

(b) For purposes of this subdivision, the credit equals the tax paid to the state of domicile multiplied by the ratio derived by dividing the amount of gain on the sale of the partnership interest subject to tax in the other state that is also subject to tax in Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code. The credit allowed may not reduce the taxes paid under this chapter to an amount less than the tax that would apply if the gain were excluded from taxable net income.

(c) If a nonresident taxpayer reported the gain to Minnesota and is assessed tax in the state of domicile on that same income after the Minnesota statute of limitations has expired, the taxpayer is allowed a credit for that year, notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the state of domicile and the taxpayer must submit sufficient proof to show entitlement to a credit.

(d) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 16. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 28. [CREDIT FOR TRANSIT PASSES.] A taxpayer may take a credit against the tax due under this chapter equal to 30 percent of the expense incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes from the transit system operator, and resells them to the employees, the credit is based on the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 17. Minnesota Statutes 1999 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals ~~1.1475~~ 1.9125 percent of the first \$4,460 of earned income. The credit is reduced by ~~1.1475~~ 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,570, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~7.45~~ 8.5 percent of the first \$6,680 of earned income and 8.5 percent of earned income over \$11,650 but less than \$12,990. The credit is reduced by ~~5.13~~ 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$14,560, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~8.8~~ ten percent of the first \$9,390 of earned income and 20 percent of earned income over \$14,350 but less than \$16,230. The credit is reduced by ~~9.38~~ 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,280, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

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

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999, and is not contingent on the enactment of sections 18 and 19.

Sec. 18. Minnesota Statutes 1998, section 290.0671, subdivision 6, is amended to read:

Subd. 6. [APPROPRIATION.] An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund. This amount includes any amounts appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds for transfer to the commissioner of revenue.

Sec. 19. Minnesota Statutes 1998, section 290.0671, is amended by adding a subdivision to read:

Subd. 6a. [TANF APPROPRIATION FOR WORKING FAMILY CREDIT EXPANSION.] (a) On an annual basis the commissioner of revenue, with the assistance of the commissioner of human services, shall calculate the value of the refundable portion of the Minnesota Working Family Credit provided under this section that qualifies for payment with funds from the federal Temporary Assistance for Needy Families (TANF) block grant. Of this total amount, the commissioner of revenue shall estimate the portion entailed by the expansion of the credit rates for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12.

(b) An amount sufficient to pay the refunds entailed by the expansion of the credit rates for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12, as estimated in paragraph (a), is appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds, for transfer to the commissioner of revenue for deposit in the general fund.

Sec. 20. Minnesota Statutes 1998, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) ~~does not have~~ has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) ~~includes inflation protection that meets or exceeds~~ has been offered in compliance with the inflation protection requirements of ~~the long-term care insurance model regulation cited under section 7702B(g)(2)(A)(i)(x) of the Internal Revenue Code~~ section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 21. Minnesota Statutes 1998, section 290.0672, subdivision 2, is amended to read:

Subd. 2. [CREDIT.] A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals ~~the lesser of (1) 25 percent of premiums paid to the extent not deducted in determining federal taxable income; or (2) \$100.~~ A taxpayer may claim a credit for only one policy for each qualified beneficiary. ~~Only one credit may be claimed by any taxpayer for each policy.~~ A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 22. Minnesota Statutes 1999 Supplement, section 290.0675, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following:

(1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

(2) to the extent included in the Minnesota taxable income, income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) to the extent included in Minnesota taxable income, social security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 23. Minnesota Statutes 1999 Supplement, section 290.0675, subdivision 2, is amended to read:

Subd. 2. [CREDIT ALLOWED.] A married couple filing a joint return is allowed a credit against the tax imposed under section 290.06.

The minimum taxable income for the married couple to be eligible for the credit is ~~\$25,000~~ \$25,680, and the minimum earned income in order for the couple to be eligible for the credit is ~~\$14,000~~ \$14,250 for each spouse.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 24. Minnesota Statutes 1999 Supplement, section 290.0675, subdivision 3, is amended to read:

Subd. 3. [CREDIT AMOUNT.] The credit amount is as shown in the table in this subdivision, based on the couple's taxable income for the tax year and on the earned income of the lesser-earning spouse.

Earned Income of Lesser Earning Spouse	Credit For	Credit For
	Taxable Income \$25,000-\$99,999	Taxable Income \$100,000-over
\$14,000 - \$14,999	\$9	\$0
\$15,000 - \$15,999	\$27	\$0
\$16,000 - \$16,999	\$44	\$0
\$17,000 - \$17,999	\$62	\$0
\$18,000 - \$18,999	\$79	\$0
\$19,000 - \$19,999	\$97	\$0
\$20,000 - \$20,999	\$114	\$0
\$21,000 - \$21,999	\$132	\$0
\$22,000 - \$22,999	\$149	\$0
\$23,000 - \$23,999	\$162	\$0
\$24,000 - \$24,999	\$162	\$0
\$25,000 - \$25,999	\$162	\$0
\$26,000 - \$26,999	\$162	\$0
\$27,000 - \$27,999	\$162	\$0
\$28,000 - \$28,999	\$162	\$9

\$29,000 - \$29,999	\$162	\$16
\$30,000 - \$30,999	\$162	\$24
\$31,000 - \$31,999	\$162	\$31
\$32,000 - \$32,999	\$162	\$39
\$33,000 - \$33,999	\$162	\$46
\$34,000 - \$34,999	\$162	\$54
\$35,000 - \$35,999	\$162	\$61
\$36,000 - \$36,999	\$162	\$69
\$37,000 - \$37,999	\$162	\$76
\$38,000 - \$38,999	\$162	\$84
\$39,000 - \$39,999	\$162	\$91
\$40,000 - \$40,999	\$162	\$99
\$41,000 - \$41,999	\$162	\$106
\$42,000 - \$42,999	\$162	\$114
\$43,000 - \$43,999	\$162	\$121
\$44,000 - \$44,999	\$162	\$129
\$45,000 - \$45,999	\$162	\$136
\$46,000 - \$46,999	\$162	\$144
\$47,000 - \$47,999	\$162	\$151
\$48,000 - \$48,999	\$162	\$159
\$49,000 - \$49,999	\$162	\$166
\$50,000 - \$50,999	\$162	\$174
\$51,000 - \$51,999	\$162	\$181
\$52,000 - \$52,999	\$162	\$189
\$53,000 - \$53,999	\$162	\$196
\$54,000 - \$54,999	\$162	\$204
\$55,000 - \$55,999	\$162	\$211
\$56,000 - \$56,999	\$162	\$219
\$57,000 - \$57,999	\$162	\$226
\$58,000 - \$58,999	\$162	\$234
\$59,000 - \$59,999	\$162	\$241
\$60,000 - \$60,999	\$162	\$249
\$61,000 - \$61,999	\$162	\$256
\$62,000 and over	\$162	\$261

<u>Earned Income of Lesser Earning Spouse</u>	<u>Credit For Taxable Income \$25,680-\$102,029</u>	<u>Credit For Taxable Income \$102,030-over</u>
<u>\$14,250 - \$15,249</u>	<u>\$7</u>	<u>\$0</u>
<u>\$15,250 - \$16,249</u>	<u>\$24</u>	<u>\$0</u>
<u>\$16,250 - \$17,249</u>	<u>\$41</u>	<u>\$0</u>
<u>\$17,250 - \$18,249</u>	<u>\$58</u>	<u>\$0</u>
<u>\$18,250 - \$19,249</u>	<u>\$75</u>	<u>\$0</u>
<u>\$19,250 - \$20,249</u>	<u>\$92</u>	<u>\$0</u>
<u>\$20,250 - \$21,249</u>	<u>\$109</u>	<u>\$0</u>
<u>\$21,250 - \$22,249</u>	<u>\$126</u>	<u>\$0</u>
<u>\$22,250 - \$23,249</u>	<u>\$143</u>	<u>\$0</u>
<u>\$23,250 - \$24,249</u>	<u>\$160</u>	<u>\$0</u>
<u>\$24,250 - \$25,249</u>	<u>\$161</u>	<u>\$0</u>
<u>\$25,250 - \$26,249</u>	<u>\$161</u>	<u>\$0</u>
<u>\$26,250 - \$27,249</u>	<u>\$161</u>	<u>\$0</u>
<u>\$27,250 - \$28,249</u>	<u>\$161</u>	<u>\$0</u>
<u>\$28,250 - \$29,249</u>	<u>\$161</u>	<u>\$0</u>

<u>\$29,250 - \$30,249</u>	<u>\$161</u>	<u>\$0</u>
<u>\$30,250 - \$31,249</u>	<u>\$161</u>	<u>\$0</u>
<u>\$31,250 - \$32,249</u>	<u>\$161</u>	<u>\$6</u>
<u>\$32,250 - \$33,249</u>	<u>\$161</u>	<u>\$14</u>
<u>\$33,250 - \$34,249</u>	<u>\$161</u>	<u>\$22</u>
<u>\$34,250 - \$35,249</u>	<u>\$161</u>	<u>\$30</u>
<u>\$35,250 - \$36,249</u>	<u>\$161</u>	<u>\$38</u>
<u>\$36,250 - \$37,249</u>	<u>\$161</u>	<u>\$46</u>
<u>\$37,250 - \$38,249</u>	<u>\$161</u>	<u>\$54</u>
<u>\$38,250 - \$39,249</u>	<u>\$161</u>	<u>\$62</u>
<u>\$39,250 - \$40,249</u>	<u>\$161</u>	<u>\$70</u>
<u>\$40,250 - \$41,249</u>	<u>\$161</u>	<u>\$78</u>
<u>\$41,250 - \$42,249</u>	<u>\$161</u>	<u>\$86</u>
<u>\$42,250 - \$43,249</u>	<u>\$161</u>	<u>\$94</u>
<u>\$43,250 - \$44,249</u>	<u>\$161</u>	<u>\$102</u>
<u>\$44,250 - \$45,249</u>	<u>\$161</u>	<u>\$110</u>
<u>\$45,250 - \$46,249</u>	<u>\$161</u>	<u>\$118</u>
<u>\$46,250 - \$47,249</u>	<u>\$161</u>	<u>\$126</u>
<u>\$47,250 - \$48,249</u>	<u>\$161</u>	<u>\$134</u>
<u>\$48,250 - \$49,249</u>	<u>\$161</u>	<u>\$142</u>
<u>\$49,250 - \$50,249</u>	<u>\$161</u>	<u>\$150</u>
<u>\$50,250 - \$51,249</u>	<u>\$161</u>	<u>\$158</u>
<u>\$51,250 - \$52,249</u>	<u>\$161</u>	<u>\$166</u>
<u>\$52,250 - \$53,249</u>	<u>\$161</u>	<u>\$174</u>
<u>\$53,250 - \$54,249</u>	<u>\$161</u>	<u>\$182</u>
<u>\$54,250 - \$55,249</u>	<u>\$161</u>	<u>\$190</u>
<u>\$55,250 - \$56,249</u>	<u>\$161</u>	<u>\$198</u>
<u>\$56,250 - \$57,249</u>	<u>\$161</u>	<u>\$206</u>
<u>\$57,250 - \$58,249</u>	<u>\$161</u>	<u>\$214</u>
<u>\$58,250 - \$59,249</u>	<u>\$161</u>	<u>\$222</u>
<u>\$59,250 - \$60,249</u>	<u>\$161</u>	<u>\$230</u>
<u>\$60,250 - \$61,249</u>	<u>\$161</u>	<u>\$238</u>
<u>\$61,250 - \$62,249</u>	<u>\$161</u>	<u>\$246</u>
<u>\$62,250 - \$63,249</u>	<u>\$161</u>	<u>\$254</u>
<u>\$63,250 - \$64,249</u>	<u>\$161</u>	<u>\$262</u>
<u>\$64,250 and over</u>	<u>\$161</u>	<u>\$268</u>

For taxable years beginning after December 31, 2000, the commissioner shall update the table as necessary to provide a credit that reflects the relationship between the marginal tax rates imposed under section 290.06, subdivision 2c.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 25. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to ~~6.5~~ 6.4 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 26. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction;

(iv) the impairment-related work expenses of a disabled person; and

(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E); and

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (4) and (6).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals ~~6.5~~ 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 27. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 6, is amended to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) ~~6.5~~ 6.4 percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

(iii) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

(iv) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

(v) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3) of the second series of clauses, and

(vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 28. Minnesota Statutes 1998, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) ~~and~~, (a)(3), and (a)(4), income from ~~labor or personal or professional services wages as defined in section 3401(a) and (f) of the Internal Revenue Code~~ is assigned to this state if, and to the extent that, ~~the labor or services are work of the employee is~~ performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law Number 104-95, are not considered income derived from carrying on a trade or business or from ~~performing personal or professional services wages or other compensation for work an employee performed~~ in Minnesota, and are not taxable under this chapter.

(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:

(i) The recipient was not a resident of this state for any part of the taxable year in which the wages were received; and

(ii) The wages are for work performed while the recipient was a resident of this state.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from

the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

EFFECTIVE DATE: This section is effective for wages received after the day following final enactment, except that to the extent this section impacts an employer's requirement to withhold Minnesota tax under section 290.92, subdivision 41, the requirement to withhold is effective for wages paid after December 31, 2000.

Sec. 29. Minnesota Statutes 1998, section 290.92, subdivision 3, is amended to read:

Subd. 3. [WITHHOLDING, IRREGULAR PERIOD.] If payment of wages is made to an employee by an employer

(a) With respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employees by such employer, or

(b) Without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

(c) With respect to a period beginning in one and ending in another calendar year, or

(d) Through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of or pays, the wages payable by another employer to such employee.

The manner of withholding and the amount to be deducted and withheld under subdivision 2a shall be determined in accordance with rules prescribed by the commissioner under which the withholding exemption allowed to the employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period, except that if supplemental wages are not paid concurrent with a payroll period the employer shall withhold tax on the supplemental payment at the rate of 6.25 percent as if no exemption had been claimed.

EFFECTIVE DATE: This section is effective for wages paid after December 31, 2000.

Sec. 30. Minnesota Statutes 1998, section 290.92, subdivision 19, is amended to read:

Subd. 19. [EMPLOYEES INCURRING NO INCOME TAX LIABILITY.] (a) Notwithstanding any other provision of this section, except the provisions of subdivision 5a, an employer ~~shall~~ is not be required to deduct and withhold any tax under this chapter ~~upon a payment of from wages paid~~ to an employee if ~~there is in effect with respect to such payment.~~

~~(1) the employee furnished the employer with a withholding exemption certificate, in such form and containing such other information as the commissioner may prescribe, furnished to the employer by the employee certifying that:~~

~~(i) certifies the employee ~~(a)~~ incurred no liability for income tax imposed under this chapter for the employee's preceding taxable year; and;~~

~~(b) (i) certifies the employee anticipates incurring no liability for income tax imposed under this chapter for the current taxable year; and~~

~~(iii) is in a form and contains any other information prescribed by the commissioner; or~~

~~(2)(i) the employee is not a resident of Minnesota when the wages were paid; and~~

~~(ii) the employer reasonably expects that the employer will not pay the employee enough wages assignable to Minnesota under section 290.17, subdivision 2, clause (a)(1), to meet the nonresident requirement to file a Minnesota individual income tax return for the taxable year under section 289A.08, subdivision 1, paragraph (a).~~

~~(b) The commissioner shall by rule provide for the coordination of the provisions of this subdivision with the provisions of subdivision 7.~~

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

Sec. 31. Minnesota Statutes 1998, section 290.92, subdivision 28, is amended to read:

Subd. 28. [PAYMENTS TO HORSERACING LICENSE HOLDERS.] Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota racing commission who makes a payment for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the payment and withhold ~~seven~~ 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds \$600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of sections 290.17, subdivision 2(1)(b)(ii) and 290.92, subdivision 4a.

EFFECTIVE DATE: This section applies to payments made after the date of final enactment.

Sec. 32. Minnesota Statutes 1998, section 290.92, subdivision 29, is amended to read:

Subd. 29. [LOTTERY PRIZES.] ~~Eight~~ 7.25 percent of the payment of Minnesota state lottery winnings which are subject to withholding must be withheld as Minnesota withholding tax. For purposes of this subdivision, the term "winnings which are subject to withholding" has the meaning given in section 3402(q)(3) of the Internal Revenue Code. For purposes of the provisions of this section, a payment to any person of winnings which are subject to withholding must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment of winnings which are subject to withholding shall furnish the state lottery with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment. The Minnesota state lottery is liable for the payment of the tax required to be withheld under this subdivision but is not liable to any person for the amount of the payment.

EFFECTIVE DATE: This section applies to winnings paid after the date of final enactment.

Sec. 33. Minnesota Statutes 1998, section 469.1734, subdivision 4, is amended to read:

Subd. 4. [INCOME TAX.] (a) Upon application by the qualifying business to the city, and approval of the city, a qualifying business shall receive a credit against taxes imposed under chapter 290, other than the tax imposed under section 290.92, based on the taxable net income of the qualified business attributable to the border city, but outside the border city development zone, multiplied by 9.8 percent in the case of a taxpayer under section 290.02, and ~~8.5~~ 7.85 percent in the case of a taxpayer taxable under section 290.06, subdivision 2c. The attributable net income of a qualified business in the border city is determined by multiplying the taxable net income of the business entity, determined as if the business were a C corporation, by a fraction:

(1) the numerator of which is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the property factor numerator determined under section 290.191, plus

(ii) the ratio of the taxpayer's payroll factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the payroll factor numerator determined under section 290.191; and

(2) the denominator of which is two.

(b) The credit under this subdivision applies after any credit allowed under subdivision 5.

(c) After any notice period required by subdivision 7, the city council must determine whether granting the credit is in the best interest of the city, and if it so determines, must approve the granting of the credit and determine its amount.

(d) The credit under this subdivision may not exceed the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under section 469.1732, subdivision 2, and subdivisions 5 and 6.

(e) No taxpayer may receive the credit under this subdivision for more than five taxable years.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 2000.

Sec. 34. [TAX INFORMATION SAMPLE DATA STUDY.]

(a) One of the goals of a reengineered income tax system is to reduce the administrative burden for both taxpayers and tax administrators. In order to reduce the cost of handling paper returns and to explore electronic options for taxpayer filing of tax data, the department of revenue will explore eliminating the requirement of Minnesota Statutes, section 289A.08, subdivision 11, that the federal return be attached in filing a Minnesota individual income tax return. This federal return information is used for the purposes of ensuring the accurate calculation of individuals' Minnesota income tax liabilities and for the purposes of preparing the microdata samples under Minnesota Statutes, section 270.0681.

(b) To ensure the continued reliability of income tax data samples and to evaluate ways in which the quality of samples may be improved, the commissioner shall study and evaluate alternatives to requiring taxpayers to attach a copy of their federal return when filing Minnesota state income tax. The study must be prepared in consultation with the coordinating committee established in Minnesota Statutes, section 270.0681, subdivision 2. The study must:

(1) evaluate the quality of federal electronic data compared to sample data prepared from returns filed with the department;

(2) evaluate alternative sampling methodology, including preselection of sampled returns, panel data, and other sampling methods; and

(3) evaluate and test whether alternative methods can

(i) provide a data sample that is as accurate and reliable as one prepared from federal returns that are filed with or attached to Minnesota individual income tax returns; and

(ii) result in a data sample that will continue to be available to staff of both the department of finance and the legislature on the same basis as one prepared from returns required to be attached to or filed with the Minnesota tax returns.

(c) The commissioner of revenue shall report the findings of the study to the house tax committee chair, the senate tax committee chair, and the commissioner of finance.

(d) The commissioner of revenue shall, with the approval of the commissioner of finance, prepare a bill for introduction in the 2001 legislative session that eliminates, for some or all taxpayers, the requirement that a copy of the federal return be filed with the individual income tax return, if the commissioner determines as a result of the study that:

(1) an alternative method would provide a data sample that is as accurate and reliable as one prepared from federal returns required to be filed with the Minnesota return; and

(2) the sample will continue to be available to the staff of both the department of finance and the legislature on the same basis as one prepared from returns required to be filed with Minnesota tax returns.

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

Sec. 35. [COMMISSIONER OF REVENUE; TEMPORARY POWERS.]

Subdivision 1. [APPLICABILITY.] This section gives the commissioner of revenue certain temporary powers. These powers apply only to taxes imposed under Minnesota Statutes, sections 290.032, 290.06, and 290.091 administered by the commissioner under Minnesota Statutes, chapters 289A and 290.

Subd. 2. [PAYMENT OF TAXES.] The commissioner may establish additional due dates, applicable to certain groups of taxpayers, for the payment of taxes. Unless the commissioner has the written consent of the taxpayer, the additional payment dates must not require the taxpayer to pay the tax earlier than the payment dates provided by statute or rule. The commissioner may accept various forms of payment, including, but not limited to, financial transaction cards and electronic funds transfer.

Subd. 3. [FILING OF RETURN.] The commissioner may establish additional due dates, applicable to certain groups of taxpayers, for the filing of tax returns. Unless the commissioner has the written consent of the taxpayer, the return due date must not be earlier than the due date provided by statute or rule. In conducting pilot studies, the commissioner may use tax return forms with varying formats, accept electronic filed returns, and waive the taxpayer signature requirements.

Subd. 4. [AGREEMENTS.] The commissioner may enter written agreements with taxpayers that provide for the payment of taxes or the filing of returns at dates earlier than provided by statute or rule. The commissioner and the taxpayer may also agree in writing to other changes from the statutory or rule requirements related to the administration of these taxes. If the taxpayer agrees to pay taxes at a date earlier than that provided by statute, the commissioner may negotiate payments to the taxpayer to compensate in part or in full for the loss incurred as a result of the accelerated payment.

Subd. 5. [PROCEDURE; APPROVAL.] Pilot studies proposed under these authorities must be presented to the chairs of the house of representatives tax committee and the senate committee on taxes and to the chairs of the committees on state government finance of the house of representatives and the senate. No study may be undertaken without the approval of both tax committee chairs. If either chair fails to respond within 15 days after the proposal is presented, that chair is considered to have approved the study. If the study is approved, the commissioner shall initially seek participation on a voluntary basis from within the targeted taxpayer group.

Subd. 6. [EXPIRATION DATE.] This section expires June 30, 2002, and all pilot projects under this section must be completed by June 30, 2002.

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

Sec. 36. [STUDY OF TAXPAYER ASSISTANCE SERVICES.]

The commissioner of revenue shall study the availability of taxpayer assistance services throughout the state and provide a written report to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by January 15, 2001. "Taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the department of revenue and the Internal Revenue Service. The study must evaluate:

(1) ways of establishing a measure to evaluate the effectiveness of volunteers in achieving the department's mission of achieving compliance with the tax laws;

(2) the geographic distribution and number of volunteer tax preparation sites throughout the state, in comparison to the distribution of low-income, elderly, and nonnative English speakers;

(3) the income, language skills, and age-related screening criteria used at volunteer tax preparations sites in determining Minnesota residents' eligibility for taxpayer assistance services;

(4) the level of training, support, and coordination that the department provides to volunteers and the optimal level of training for volunteers to have an adequate understanding of Minnesota's tax forms;

(5) the effectiveness of grants awarded under Laws 1999, chapter 243, article 2, section 31; and

(6) the availability of volunteers to assist taxpayers in preparing Minnesota property tax refund claims after April 15.

The commissioner must invite testimony from organizations and government entities concerned with taxpayer assistance, both paid and volunteer. Organizations receiving grants under Laws 1999, chapter 243, article 2, section 31, must provide information necessary to the completion of the study to the commissioner on request.

The study must consider the role of current economic conditions, including the state unemployment rate, in training and retaining qualified volunteers, the adequacy of current taxpayer assistance services, the role of the department of revenue in assisting low-income, elderly, and nonnative English speakers, and must recommend ways for improving the availability and the quality of taxpayer assistance services.

Sec. 37. [REPORT ON ELECTRONIC CHECKOFF.]

The commissioner of revenue must report by February 1, 2001, to the committees on taxes of the house of representatives and the senate on implementing an electronic income tax checkoff program. The program must be designed to allow an individual who files an income tax return electronically to designate that a portion of the individual's tax liability reported on the return be deposited in one or more accounts established by law and dedicated to particular programs or purposes.

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

ARTICLE 5

PROPERTY TAXES

Section 1. Minnesota Statutes 1998, section 270.072, subdivision 2, is amended to read:

Subd. 2. [ASSESSMENT OF FLIGHT PROPERTY.] The flight property of all airline companies operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 2. Minnesota Statutes 1998, section 270.072, is amended by adding a subdivision to read:

Subd. 6. [AIRFLIGHT PROPERTY TAX LIEN.] The tax imposed under sections 270.071 to 270.079 is a lien on all real and personal property within this state of the airline company in whose name the property is assessed. For purposes of sections 270.65 and 270.69, the date of assessment for the tax imposed under sections 270.071 to 270.079 is January 2 of each year for the taxes payable in the following year.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 3. Minnesota Statutes 1999 Supplement, section 272.02, subdivision 39, is amended to read:

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

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

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

EFFECTIVE DATE: This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 4. Minnesota Statutes 1999 Supplement, section 272.02, is amended by adding a subdivision to read:

Subd. 44. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize natural gas as a primary fuel;

(2) be located within 20 miles of parallel existing 16-inch and 12-inch (outside diameter) natural gas pipelines and a 345-kilovolt high-voltage electric transmission line; and

(3) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need under section 216B.243 demonstrating demand for its capacity.

Construction of the facility must be commenced after January 1, 2000, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE: This section is effective for assessment year 2001 and thereafter.

Sec. 5. Minnesota Statutes 1998, section 272.115, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT.] Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270.066, the certificate of value must include the social security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

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

Sec. 6. Minnesota Statutes 1998, section 273.111, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS.] (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, subdivision 23, paragraph (d), shall be entitled to valuation and tax deferral under this section only if it is primarily devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within ~~two~~ four townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation; or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

Corporate entities who previously qualified for tax deferment pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

EFFECTIVE DATE: This section is effective for taxes payable in 2000 and thereafter.

Sec. 7. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property of ~~held by a trustee, beneficiary, or grantor of under~~ a trust is ~~not disqualified from receiving~~ eligible for homestead benefits classification if the ~~homestead~~ requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the department of revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, grandson, granddaughter, father, or mother of the owner of the agricultural property or a son, ~~or~~ daughter, grandson, or granddaughter of the spouse of the owner of the agricultural property;

(2) the owner of the agricultural property must be a Minnesota resident;

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota; and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two

homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home or boarding care facility and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home or boarding care facility and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 8. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 8, is amended to read:

Subd. 8. [~~HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP OR LEASED TO FAMILY FARM CORPORATION OR PARTNERSHIP.~~] (a) Each family farm corporation, each joint farm venture, each limited liability company, and each partnership operating a family farm is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land except as provided in subdivision 14, paragraph (g), and actively engaged in farming of the land owned by the corporation, joint farm venture, limited liability company, or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation, joint farm venture, limited liability company, or partnership and not in the name of the person residing on it.

"Family farm corporation," ~~and~~ "family farm," and "farm partnership" have the meanings given in section 500.24, except that the number of allowable shareholders or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in section 322B.03, subdivision 28. "Joint farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate farm land under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations, joint farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders, members, or partners who are actively engaged in farming on behalf of the corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13, subdivision 22, paragraph (b).

(c) Agricultural property owned by a shareholder of a family farm corporation or joint farm venture, as defined in paragraph (a), or by a member of a limited liability company, or by a partner in a partnership operating a family farm and leased to the family farm corporation by the shareholder, or to a member of a limited liability company, or to the partnership by the partner, is eligible for classification as class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a under section 273.13, subdivision 23, paragraph (a), if the owner is actually residing on the property except as provided in subdivision 14, paragraph (g), and is actually engaged in farming the land on behalf of the corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm under the lease.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter except that the references to a limited liability company or a member of a limited liability company are effective only if H. F. No. 3312 is enacted during the 2000 session.

Sec. 9. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 14, is amended to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the department of natural resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property consisting of at least 40 acres shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner, or the owner's son or daughter, is actively farming the agricultural property;

(2) the owner of the agricultural property is a Minnesota resident, and if the owner's son or daughter is actively farming the agricultural property under clause (1), that person must also be a Minnesota resident;

(3) neither the owner nor the spouse of the agricultural property owner claims another agricultural homestead in Minnesota; and

(4) the owner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, and if the owner's son or daughter is actively farming the agricultural property under clause (1), that person must also live within the four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Except as provided in paragraph (e), noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property consisting of at least 40 acres of a family farm corporation, joint farm venture, limited liability company, or partnership as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the shareholder, member, or partner is actively farming the agricultural property;

(2) the shareholder, member, or partner of the agricultural property is a Minnesota resident;

(3) neither the shareholder, member, or partner, nor the spouse of the shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(4) the shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter except that the references to a limited liability company or a member of a limited liability company are effective only if H. F. No. 3312 is enacted during the 2000 session.

Sec. 10. Minnesota Statutes 1998, section 273.124, is amended by adding a subdivision to read:

Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held by a trustee under a trust is eligible for classification as homestead property if:

(1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;

(2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;

(3) a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm rents the property held by a trustee under a trust, and a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead, and is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or

(4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter except that the references to a limited liability company or a member of a limited liability company are effective only if H. F. No. 3312 is enacted during the 2000 session.

Sec. 11. Minnesota Statutes 1998, section 273.125, subdivision 8, is amended to read:

Subd. 8. [MANUFACTURED HOMES; SECTIONAL STRUCTURES.] (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains

the plumbing, heating, air conditioning, and electrical systems in it. Manufactured home includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) A manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on-site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules under the Administrative Procedure Act to establish additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

(f) A storage shed, deck, or similar improvement constructed on property that is leased or rented as a site for a manufactured home, sectional structure, park trailer, or travel trailer is taxable as provided in this section. In the case of property that is leased or rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the site that is considered personal property under this paragraph is taxable only if its total estimated market value is over \$500. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or user of the site. The site owner must provide the name and address to the assessor upon request.

EFFECTIVE DATE: This section is effective beginning with the 2000 assessment.

Sec. 12. Minnesota Statutes 1999 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 2.4 percent of the first tier of market value, and 3.4 percent of the remaining market value, ~~except that,~~ In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value

of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier. All personal property shall be classified at the class rate for the higher tier. For purposes of this subdivision "personal property" means tools, implements, and machinery of an electric generating, transmission, or distribution system, or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures.

For purposes of this ~~paragraph~~ subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, ~~vacant lot~~, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) Personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

(c)(1) Subject to the limitations of clause (2), structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to the lesser of 2.975 percent or the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. A class rate equal to the lesser of 2.975 percent or the class rate of the second tier of the commercial property class rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

(2) This clause applies to any structure qualifying for the transit zone reduced class rate under clause (1) on January 2, 1999, or any structure meeting any of the qualification criteria in item (i) and otherwise qualifying for the transit zone reduced class rate under clause (1). Such a structure continues to receive the transit zone reduced class rate until the occurrence of one of the events in item (ii). Property qualifying under item (i)(D), that is located outside of a city of the first class, qualifies for the transit zone reduced class rate as provided in that item. Property qualifying under item (i)(E) qualifies for the transit zone reduced class rate as provided in that item.

(i) A structure qualifies for the rate in this clause if it is:

(A) property for which a building permit was issued before December 31, 1998; or

(B) property for which a building permit was issued before June 30, 2001, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements or signed options as of March 15, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure; and

(III) one of the following requirements is met:

the project proposer has submitted the completed data portions of an environmental assessment worksheet by December 31, 1998; or

a notice of determination of adequacy of an environmental impact statement has been published by April 1, 1999; or

an alternative urban areawide review has been completed by April 1, 1999; or

(C) property for which a building permit is issued before July 30, 1999, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements as of March 31, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) a signed agreement has been entered into between the building developer and a tenant to lease for its own account at least 200,000 square feet of space in the building;

(III) a signed letter of intent is entered into by July 1, 1998, between the building developer and the tenant to lease the space for its own account; and

(IV) the environmental review process required by state law was commenced by December 31, 1998;

(D) property for which an irrevocable letter of credit with a housing and redevelopment authority was signed before December 31, 1998. The structure shall receive the transit zone reduced class rate during construction and for the duration of time that the original tenants remain in the building. Any unoccupied net leasable square footage that is not leased within 36 months after the certificate of occupancy has been issued for the building shall not be eligible to receive the reduced class rate. This reduced class rate applies only if ~~the~~ a qualifying entity ~~that constructed the structure~~ continues to own the property;

(E) property, located in a city of the first class, and for which the building permits for the excavation, the parking ramp, and the office tower were issued prior to April 1, 1999, shall receive the reduced class rate during construction and for the first five assessment years immediately following its initial occupancy provided that, when completed, at least 25 percent of the net leasable square footage must be occupied by ~~the~~ a qualifying entity ~~or the parent entity constructing the structure~~ each year during this time period. In order to receive the reduced class rate on the structure in any subsequent assessment years, at least 50 percent of the rentable square footage must be occupied by ~~the~~ a qualifying entity ~~or the parent entity that constructed the structure~~. This reduced class rate applies only if ~~the~~ a qualifying entity ~~or the parent entity that constructed the structure~~ continues to own the property.

(ii) A structure specified by this clause, other than a structure qualifying under clause (i)(D) or (E), shall continue to receive the transit zone reduced class rate until the occurrence of one of the following events:

(A) if the structure upon initial occupancy will be owner occupied by the entity initially constructing the structure or an affiliated entity, the structure receives the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied terminates upon the leasing of such space to any nonaffiliated entity; or

(B) if the structure is leased by a single entity or affiliated entity at the time of initial occupancy, the structure shall receive the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied shall terminate upon the leasing of such space to any nonaffiliated entity; or

(C) if the structure meets the criteria in item (i)(C), the structure shall receive the reduced class rate until the expiration of the initial lease term of the applicable tenants.

Percentages occupied or leased shall be determined based upon net leasable square footage in the structure. The assessor shall allocate the value of the structure in the same fashion as provided in the general law for portions of any structure receiving and not receiving the transit tax class reduction as a result of this clause.

(3) For purposes of paragraph (c), "qualifying entity" means the entity owning the property on September 1, 2000, or an affiliate of an entity that owned the property on September 1, 2000.

EFFECTIVE DATE: That portion of this section relating to the definition of real and personal utility property is effective for taxes payable in 2000 and thereafter. All other changes in the section are effective for taxes payable in 2001 and thereafter.

Sec. 13. Minnesota Statutes 1999 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of 2.15 percent of market value. All other class 4a property has a class rate of 2.4 percent of market value. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under subdivision 33.

Class 4b property has a class rate of 1.65 percent of market value.

(c) Class 4bb includes:

- (1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and
- (2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb has a class rate of 1.2 percent on the first \$76,000 of market value and a class rate of 1.65 percent of its market value that exceeds \$76,000.

Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3; ~~and~~

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2; and

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, metropolitan airports commission, or group thereof, and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale.

Class 4c property has a class rate of 1.65 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of one percent of market value.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 14. Minnesota Statutes 1999 Supplement, section 273.1382, subdivision 1b, is amended to read:

Subd. 1b. [EDUCATION AGRICULTURAL CREDIT.] Property classified as class 2a agricultural homestead or class 2b agricultural nonhomestead or timberland is eligible for education agricultural credit. The credit is equal to ~~54~~ 70 percent, in the case of agricultural homestead property up to \$600,000 in market value, or ~~50~~ 63 percent, in the case of all other agricultural nonhomestead property or timberland, of the property's net tax capacity times the education credit tax rate determined in subdivision 1. The net tax capacity portion of class 2a property attributable to consisting of the house, garage, and surrounding one acre of land is not eligible for the credit under this subdivision, nor does its market value count towards the valuation threshold contained in this subdivision.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 15. Minnesota Statutes 1998, section 273.37, subdivision 3, is amended to read:

Subd. 3. Taxable wind energy conversion systems, as defined in section 216C.06, subdivision 12, which are not owned, operated, and exclusively controlled by the owner of the land upon which the system is situated, must be listed and assessed by the commissioner of revenue as personal property in the name of the owner of the system in the taxing district where it is situated.

EFFECTIVE DATE: This section is effective for the 2000 assessment and thereafter.

Sec. 16. [273.372] [PROCEEDINGS AND APPEALS; UTILITY VALUATIONS.]

An appeal by a utility company concerning the exemption, valuation, or classification on property for which the commissioner of revenue has provided the county with commissioner's orders or recommended values must be brought against the commissioner in tax court or in district court of the county where the property is located, and not against the county or taxing district where the property is located. If the appeal to a court is of an order of the commissioner, it must be brought under chapter 271. If the appeal is brought under chapter 278, the procedures in that chapter apply. This provision applies to the property contained under sections 273.33, 273.35, 273.36, and 273.37, but only if the appealed values have remained unchanged from those provided to the county by the commissioner. If the exemption, valuation, or classification being appealed has been changed by the county, then the action must be brought under chapter 278 in the county where the property is located.

Upon filing of any appeal by a utility company against the commissioner, the commissioner shall give notice by first class mail to each county which would be affected by the appeal.

Companies that submit the reports under section 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner under the procedures in section 270.11, subdivision 6, prior to bringing an action in tax court or in district court, however, instituting an administrative appeal with the commissioner does not change or modify the deadline in section 278.01 for bringing an action in tax court or district court.

EFFECTIVE DATE: This section is effective for appeals made on property for assessment year 1999 and thereafter.

Sec. 17. Minnesota Statutes 1998, section 275.066, is amended to read:

275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

(1) watershed districts under chapter 103D;

- (2) sanitary districts under sections 115.18 to 115.37;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud metropolitan transit commission under sections 458A.01 to 458A.15;
- (9) Duluth transit authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) metropolitan council under sections 473.123 to 473.549;
- (15) metropolitan airports commission under sections 473.601 to 473.680;
- (16) metropolitan mosquito control commission under sections 473.701 to 473.716;
- (17) Morrison county rural development financing authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake county medical clinic district under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood area ambulance district under Laws 1993, chapter 375, article 5, section 39; ~~and~~
- (21) Middle Mississippi river watershed management organization under sections 103B.211 and 103B.241; and
- (22) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

EFFECTIVE DATE: This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 18. Minnesota Statutes 1998, section 276.19, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF OVERPAYMENT.] If an overpayment of property tax arises on a parcel ~~for any reason~~ due to receipt of a payment that exceeds the total amount of the tax required to be paid on the property tax statement, the responsible county official shall promptly notify the payer by regular mail that the overpayment has occurred. The notice must state the amount of overpayment and identify the parcel on which the overpayment occurred. The notice must also instruct the payer how to claim the overpayment and advise that the overpayment is subject to forfeiture under this section. If the name or address of the payer is not known, the notice of unclaimed overpayment must be mailed to the taxpayer of record in the office of the county auditor.

EFFECTIVE DATE: This section is effective for overpayment of taxes made the day following final enactment and thereafter, and applies only to taxes levied in 1999, payable in 2000, and thereafter.

Sec. 19. [278.14] [REFUNDS OF MISTAKENLY BILLED TAXES.]

Subdivision 1. [APPLICABILITY.] A county must pay a refund of a mistakenly billed tax as provided in this section. As used in this section, "mistakenly billed tax" means an amount of property tax that was billed, to the extent the amount billed exceeds the accurate tax amount due to a misclassification of the owner's property under section 273.13 or a mathematical error in the calculation of the tax on the owner's property, together with any penalty or interest paid on that amount. This section applies only to taxes payable in the current year and the two prior years. As used in this section, "mathematical error" is limited to an error in:

(1) converting the market value of a property to tax capacity or to a referendum market value;

(2) application of the tax rate as computed by the auditor under sections 275.08, subdivisions 1b, 1c, and 1d; 276A.06, subdivisions 4 and 5; and 473F.07, subdivisions 4 and 5, to the property's tax capacity or referendum market value; or

(3) calculation of or eligibility for a credit.

The remedy provided under this section does not apply to a misclassification under section 273.13 that is due to the failure of the property owner to apply for the correct classification as required by law.

Subd. 2. [PROCEDURE.] A refund of mistakenly billed tax must be paid upon verification of a claim made in a written application by the owner of the property or upon discovery of the mistakenly billed tax by the county. Refunds of overpayments will be made as provided in section 278.12.

Subd. 3. [APPEALS.] If the county rejects a claim by a property owner under subdivision 2, it must notify the property owner of that decision within 90 days of receipt of the claim. The property owner may appeal that decision to the tax court within 60 days after receipt of a notice from the county of the decision. Relief granted by the tax court is limited to current year taxes, and taxes in the two prior years.

EFFECTIVE DATE: This section is effective for overpayment of taxes made the day following final enactment and thereafter, and applies only to taxes levied in 1999, payable in 2000, and thereafter.

Sec. 20. Minnesota Statutes 1999 Supplement, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM QUALIFICATIONS.] The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, both of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

(4) ~~there are no delinquent property taxes, penalties, or interest on the homesteaded property;~~

(5) ~~there are no delinquent special assessments on the homesteaded property;~~

~~(6)~~ there are no state or federal tax liens or judgment liens on the homesteaded property;

~~(7)~~ (5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause ~~(8)~~ (6); and

~~(8)~~ (6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed ~~30~~ 75 percent of the assessor's estimated market value for the year.

Sec. 21. Minnesota Statutes 1998, section 290B.04, is amended by adding a subdivision to read:

Subd. 7. [PAYMENT OF DELINQUENT TAXES AND SPECIAL ASSESSMENTS.] Upon approval of a senior citizen's initial application, the commissioner of revenue shall pay to the treasurer of the county where the property is located the amount of any delinquent property taxes, penalties, interest, and delinquent special assessments and interest on the property which is the subject of the application.

Sec. 22. Minnesota Statutes 1999 Supplement, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION BY COMMISSIONER.] The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds \$60,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year.

Sec. 23. Minnesota Statutes 1998, section 290B.05, subdivision 3, is amended to read:

Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.] When final property tax amounts for the following year have been determined, the county auditor shall calculate the "deferred property tax amount." The deferred property tax amount is equal to the lesser of (1) the maximum allowable deferral for the year; or (2) the difference between the total amount of property taxes levied upon the qualifying homestead by all taxing jurisdictions and the maximum property tax amount. Any special assessments levied by any local unit of government must not be included in the total tax used to calculate the deferred tax amount. ~~No deferral of the current year's property taxes is allowed if there are any delinquent property taxes or delinquent special assessments for any previous year.~~ Any tax attributable to new improvements made to the property after the initial application has been approved under section 290B.04, subdivision 2, must be excluded when determining any subsequent deferred property tax amount. The county auditor shall annually, on or before April 15, certify to the commissioner of revenue the property tax deferral amounts determined under this subdivision by property and by owner.

Sec. 24. Minnesota Statutes 1998, section 290B.07, is amended to read:

290B.07 [LIEN; DEFERRED PORTION.]

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments and interest deferred under this ~~section~~ chapter is deemed a loan from the state to the program participant. The commissioner must compute the interest as provided in section 270.75, subdivision 5, but not to exceed five percent,

and maintain records of the total deferred amount and interest for each participant. Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this chapter shall not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the property. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

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

Sec. 25. Minnesota Statutes 1998, section 290B.08, subdivision 1, is amended to read:

Subdivision 1. [TERMINATION.] (a) The deferral of taxes granted under this chapter terminates when one of the following occurs:

- (1) the property is sold or transferred;
- (2) the death of ~~the~~ all qualifying ~~homeowner(s)~~ homeowners;
- (3) the homeowner notifies the commissioner in writing that the homeowner desires to discontinue the deferral;
or
- (4) the property no longer qualifies as a homestead.

(b) A property is not terminated from the program because no deferred property tax amount is determined on the homestead for any given year after the homestead's initial enrollment into the program.

EFFECTIVE DATE: This section is effective for deferrals of property taxes payable in 2001 and thereafter.

Sec. 26. Minnesota Statutes 1998, section 290B.08, subdivision 2, is amended to read:

Subd. 2. [PAYMENT UPON TERMINATION.] Upon the termination of the deferral under subdivision 1, the amount of deferred taxes ~~and, penalties, interest, and special assessments and interest,~~ plus the recording or filing fees under both section 290B.04, subdivision 2, and this subdivision becomes due and payable to the commissioner within 90 days of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (1) and (2), and within one year of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (3) and (4). No additional interest is due on the deferral if timely paid. On receipt of payment, the commissioner shall within ten days notify the auditor of the county in which the parcel is located, identifying the parcel to which the payment applies and shall remit the recording or filing fees under section 290B.04, subdivision 2, and this subdivision to the auditor. A notice of termination of deferral, containing the legal description and the recording or filing data for the notice of qualification for deferral under section 290B.04, subdivision 2, shall be prepared and recorded or filed by the county auditor in the same office in which the notice of qualification for deferral under section 290B.04, subdivision 2, was recorded or filed, and the county auditor shall mail a copy of the notice of termination to the property owner. The property owner shall pay the recording or filing fees. Upon recording or filing of the notice of termination of deferral, the notice of qualification for deferral under section 290B.04, subdivision 2, and the lien created by it are discharged. If the deferral is not timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of ad valorem property taxes apply.

Sec. 27. Minnesota Statutes 1998, section 290B.09, subdivision 2, is amended to read:

Subd. 2. [APPROPRIATION.] An amount sufficient to pay the total amount of property tax determined under subdivision 1, plus any amounts paid under section 290B.04, subdivision 7, is annually appropriated from the general fund to the commissioner of revenue.

Sec. 28. Minnesota Statutes 1999 Supplement, section 383D.74, subdivision 2, is amended to read:

Subd. 2. [EXPIRATION.] The authority to impose a penalty under this section expires on December 31, ~~2000~~ 2005.

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

Sec. 29. Minnesota Statutes 1998, section 429.011, subdivision 2a, is amended to read:

Subd. 2a. [MUNICIPALITY.] "Municipality" also includes a county in the case of construction, reconstruction, or improvement of a county state-aid highway or county highway as defined in section 160.02 including curbs and gutters and storm sewers ~~and includes;~~ a county exercising its powers and duties under section 444.075, subdivision 1; and a county for expenses not paid for under section 403.113, subdivision 3, paragraph (b), clause (3).

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

Sec. 30. Minnesota Statutes 1998, section 429.011, subdivision 5, is amended to read:

Subd. 5. [IMPROVEMENT.] "Improvement" means any type of improvement made under authority granted by section 429.021, and in the case of a county is limited to the construction, reconstruction, or improvement of a county state-aid highway or county highway including curbs and gutters and storm sewers, and to the purchase, installation, or maintenance of signs, posts, and markers for addressing related to the operation of enhanced 911 telephone service.

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

Sec. 31. Minnesota Statutes 1998, section 429.021, subdivision 1, is amended to read:

Subdivision 1. [IMPROVEMENTS AUTHORIZED.] The council of a municipality shall have power to make the following improvements:

(1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.

(2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, and other appurtenances of a sewer system, within and without the corporate limits.

(3) To construct, reconstruct, extend, and maintain steam heating mains.

(4) To install, replace, extend, and maintain street lights and street lighting systems and special lighting systems.

(5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, and other appurtenances of a water works system, within and without the corporate limits.

(6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational facilities within or without the corporate limits.

(7) To plant trees on streets and provide for their trimming, care, and removal.

(8) To abate nuisances and to drain swamps, marshes, and ponds on public or private property and to fill the same.

(9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

(10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

(11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and promote a pedestrian skyway system. Such improvement may be made upon a petition pursuant to section 429.031, subdivision 3.

(12) To acquire, construct, reconstruct, extend, operate, maintain, and promote underground pedestrian concourses.

(13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public malls, plazas or courtyards.

(14) To construct, reconstruct, extend, and maintain district heating systems.

(15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection systems in existing buildings, but only upon a petition pursuant to section 429.031, subdivision 3.

(16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway sound barriers.

(17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution facilities owned by a municipal gas or electric utility.

(18) To purchase, install, and maintain signs, posts, and other markers for addressing related to the operation of enhanced 911 telephone service.

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

Sec. 32. Minnesota Statutes 1998, section 429.031, subdivision 1, is amended to read:

Subdivision 1. [PREPARATION OF PLANS, NOTICE OF HEARING.] (a) Before the municipality awards a contract for an improvement or orders it made by day labor, or before the municipality may assess any portion of the cost of an improvement to be made under a cooperative agreement with the state or another political subdivision for sharing the cost of making the improvement, the council shall hold a public hearing on the proposed improvement following two publications in the newspaper of a notice stating the time and place of the hearing, the general nature of the improvement, the estimated cost, and the area proposed to be assessed. The two publications must be a week apart, and the hearing must be at least three days after the second publication. Not less than ten days before the hearing, notice of the hearing must also be mailed to the owner of each parcel within the area proposed to be assessed and must contain a statement that a reasonable estimate of the impact of the assessment will be available at the hearing, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. For the purpose of giving mailed notice, owners are those shown as owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and are not listed on the records of the county auditor or the county treasurer, the owners may be ascertained by any practicable means, and mailed notice must be given them as provided in this subdivision.

(b) Before the adoption of a resolution ordering the improvement, the council shall secure from the city engineer or some other competent person of its selection a report advising it in a preliminary way as to whether the proposed improvement is necessary, cost-effective, and feasible and as to whether it should best be made as proposed or in connection with some other improvement. The report must also include the estimated cost of the improvement as recommended. A reasonable estimate of the total amount to be assessed, and a description of the methodology used to calculate individual assessments for affected parcels, must be available at the hearing. No error or omission in the report invalidates the proceeding unless it materially prejudices the interests of an owner.

(c) If the report is not prepared by an employee of a municipality, the compensation for preparing the report under this subdivision must be based on the following factors:

- (1) the time and labor required;
- (2) the experience and knowledge of the preparer;
- (3) the complexity and novelty of the problems involved; and
- (4) the extent of the responsibilities assumed.

(d) The compensation must not be based primarily on a percentage of the estimated cost of the improvement.

(e) The council may also take other steps prior to the hearing, including, among other things, the preparation of plans and specifications and the advertisement for bids that will in its judgment provide helpful information in determining the desirability and feasibility of the improvement.

(f) The hearing may be adjourned from time to time, and a resolution ordering the improvement may be adopted at any time within six months after the date of the hearing by vote of a majority of all members of the council when the improvement has been petitioned for by the owners of not less than 35 percent in frontage of the real property abutting on the streets named in the petition as the location of the improvement. When there has been no such petition, the resolution may be adopted only by vote of four-fifths of all members of the council; provided that if the mayor of the municipality is a member of the council but has no vote or votes only in case of a tie, the mayor is not deemed to be a member for the purpose of determining a four-fifths majority vote.

(g) The resolution ordering the improvement may reduce, but not increase, the extent of the improvement as stated in the notice of hearing.

EFFECTIVE DATE: This section is effective for mailed notices and hearings held June 1, 2000, and thereafter.

Sec. 33. Minnesota Statutes 1998, section 469.040, is amended by adding a subdivision to read:

Subd. 5. [DESIGNATED HOUSING CORPORATION.] Property located within the exterior boundaries of the White Earth Indian Reservation that is owned by the tribe's designated housing entity as defined in United States Code, title 25, section 4103(21), and that is a housing project or a housing development project, as defined in section 469.002, subdivisions 13 and 15, is exempt from all real and personal property taxes of the city, the county, the state, or any political subdivision thereof, but the property is subject to subdivision 3. A copy of those portions of the annual reports submitted on behalf of the housing entity to the Secretary of the United States Department of Housing and Urban Development for the project that contain information sufficient to determine the amount due under subdivision 3 satisfies the reporting requirements of subdivision 3 for the project.

EFFECTIVE DATE: This section is effective for the 2000 assessment, taxes payable in 2001, and thereafter.

Sec. 34. Laws 1987, chapter 402, section 2, subdivision 1, is amended to read:

~~Subdivision 1. [AGREEMENT.] The city of Moose Lake and one or more of the towns of Moose Lake, Silver, and Windemere may by action of their city council and town boards establish the Moose Lake fire protection district. The town of Silver may provide that only a described part of its territory be included within the district. The district shall provide fire protection services throughout its territory and may exercise all the powers of the city and towns that relate to fire protection anywhere within its territory. Any other contiguous town or home rule charter or statutory city may join the district with the agreement of the cities and towns that comprise the district at the time of its application to join. Action to join the district may be taken by the city council or town board of the city or town.~~

EFFECTIVE DATE: Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 35. Laws 1987, chapter 402, section 2, subdivision 4, is amended to read:

~~Subd. 4. [TAX.] The district may impose a property tax on real property in the district in an amount sufficient to discharge its operating expenses and debt payable in each year. The tax shall be disregarded in the calculation of any levies or limits on levies provided by Minnesota Statutes, chapter 275, or other law. A city or town that joins the district may not incur expenses or debt for fire protection services for territory included in the district and may not impose taxes for that purpose. The town of Silver may impose a property tax on territory not included in the district to discharge costs or debt incurred to provide fire protection services to that territory.~~

EFFECTIVE DATE: Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 36. Laws 1987, chapter 402, section 2, subdivision 5, is amended to read:

~~Subd. 5. [PUBLIC INDEBTEDNESS.] The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish a duty charged to it. The district may also issue certificates of indebtedness subject to debt limits for the district to purchase capital equipment having an expected useful life at least as long as the terms of the certificates. The certificates must be payable in not more than five years and must be issued on the terms and in the manner as the board may determine. Before issuing certificates in an amount exceeding .25 percent of the taxable property of the district, the board shall publish a resolution indicating its intent to issue the certificates in a newspaper of general circulation in the district. The certificates may be issued without an election unless within ten days of the publication a petition signed by the sum of at least ten percent of the voters in the member towns voting in the last regular town election and ten percent of the voters of the city voting in the last city general election requesting an election on their issuance is filed with the board. If a petition is filed, the certificates may not be issued unless their issuance is approved by a majority of the voters at a general or special~~

election in which all the residents of the city and member towns are eligible to vote. A tax levy shall be made against all property in the district to pay the principal and interest on the certificates, in accordance with Minnesota Statutes, section 475.61, as in the case of bonds.

EFFECTIVE DATE: Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 37. [EVELETH-GILBERT JOINT RECREATION BOARD TAX.]

The cities and towns who participate in the Eveleth-Gilbert joint recreation board may levy a tax on the taxable property within their taxing jurisdictions situated within the boundaries of independent school district No. 2154, Eveleth-Gilbert, as provided in this section. The maximum amount that may be levied by all participating cities and towns combined shall not exceed a total of \$125,000 per year, for a maximum of eight years. Property within the school district may be made subject to the tax permitted by this section by the agreement of the governing body or town board of the city or town where the property is located. The agreement may be by resolution of a governing body or town board or by a joint powers agreement under Minnesota Statutes, section 471.59. If levied, this tax is in addition to all other taxes permitted to be levied for park and recreation purposes by the participating cities and towns. It shall be disregarded in the calculation of all tax levy limitations imposed by charter and any general overall levy limitations. A city or town may withdraw its agreement to future taxes by notice to the recreation board and the county auditor unless provided otherwise by a joint powers agreement. The tax shall be collected by the St. Louis county treasurer and paid directly to the Eveleth-Gilbert joint recreation board.

This section applies in the cities of Eveleth, Gilbert, Leonidas, McKinley, and Iron Junction, and in the towns of Biwabik, Clinton, and Fayal, all located in St. Louis county.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 through taxes payable in 2008.

Sec. 38. [STUDY OF TAXATION OF FOREST LAND.]

Subdivision 1. [STUDY.] The commissioner of revenue, in cooperation with the Minnesota forest resources council, shall study the taxation of forest land in this state. The study shall include a review of the current application of property taxes to these lands and a review and comparison with other forest land tax policies. It shall also include recommendations for changes in tax policy:

- (1) to encourage forest productivity;
- (2) to maintain land in forest cover;
- (3) to encourage the application of sustainable site level forest management guidelines;
- (4) to address impacts on local government revenues; and
- (5) for changes in tax rates.

The study shall be completed and transmitted to the chairs of the house and senate tax committees by December 1, 2000.

Subd. 2. [APPROPRIATION.] \$50,000 is appropriated from the general fund in fiscal year 2000 to the commissioner of revenue for completion of the study required in this section. This appropriation is available until December 31, 2000.

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

Sec. 39. [APPROPRIATION.]

Notwithstanding section 16A.1521, the balance of the property tax reform account as of July 1, 2000, is transferred to the general fund and any additional funds appropriated to the property tax reform account as a result of the November, 1999, forecast are canceled and the appropriation remains in the general fund.

Sec. 40. [REPEALER.]

(a) Minnesota Statutes 1998, sections 270.072, subdivision 5; and 270.075, subdivisions 3 and 4; are repealed.

(b) Minnesota Statutes 1998, section 273.127, is repealed.

(c) Minnesota Statutes 1998, section 273.1316, is repealed.

EFFECTIVE DATE: Paragraph (a) is effective for taxes payable in 2001 and thereafter. Paragraph (b) is effective for taxes payable in 2000 and thereafter. Paragraph (c) is effective the day following final enactment.

Sec. 41. [EFFECTIVE DATE.]

Sections 20 to 24, 26, and 27 apply to all homeowners and all property taxes deferred beginning in payable 2001, including those homeowners who initially qualified under this program for taxes payable in 1999 or 2000, except that if a homeowner did not qualify for any property tax deferral for payable 2000 because of the percentage threshold in Minnesota Statutes, section 290B.03, subdivision 1, paragraph (6), or the prohibition on qualification of owners of property with delinquent taxes or delinquent special assessments, and now qualifies for the program with the changes in those provisions, the homeowner may apply to the commissioner by July 1, 2000, and request a retroactive qualification into the program for taxes payable in 2000. The commissioner of revenue shall notify the county auditor of such eligible taxpayers. The commissioner shall make payment to the county for the appropriate amount due for taxes payable in 2000, and the county treasurer shall refund the taxpayer for any excess tax amount that the taxpayer has paid to the county.

ARTICLE 6

LEVY LIMITS AND AIDS TO LOCAL GOVERNMENT

Section 1. Minnesota Statutes 1998, section 97A.061, is amended by adding a subdivision to read:

Subd. 4. [OFFSET OF PAYMENTS.] Payments to a county or town under this section must be reduced by the amount of payment to that county or town under section 477A.12 for the same lands in the same year.

EFFECTIVE DATE: This section is effective for payments made in calendar year 2001 and thereafter.

Sec. 2. Minnesota Statutes 1998, section 97A.061, is amended by adding a subdivision to read:

Subd. 5. [ALLOCATION OF PAYMENTS.] Notwithstanding section 477A.14, the amounts paid to a county under section 477A.14 for lands that are also subject to payment under this section shall be allocated within the county in accordance with subdivision 2.

EFFECTIVE DATE: This section is effective for payments made in calendar year 2001 and thereafter.

Sec. 3. Minnesota Statutes 1999 Supplement, section 273.1398, subdivision 4a, is amended to read:

Subd. 4a. [AID OFFSET FOR COURT COSTS.] (a) By July 15, 1999, the supreme court shall determine and certify to the commissioner of revenue for each county, other than counties located in the eighth judicial district, the county's share of the costs assumed under Laws 1999, chapter 216, article 7, during the fiscal year beginning July 1, 2000, less an amount equal to the county's share of transferred fines collected by the district courts in the county during calendar year 1998.

(b) Payments to a county under subdivision 2 or section 273.166 for calendar year 2000 must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(c) Payments to a county under subdivision 2 or section 273.166 for calendar year 2001 must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(d) Payments to a county under subdivision 2 for calendar year 2001 are permanently increased by an amount equal to 7.5 percent of the county's share of transferred fines collected by the district courts in the county during calendar year 1998, as determined under paragraph (a). If the amount determined in paragraph (a) exceeds the amount of aid a county is scheduled to be paid under subdivision 2 in 2000, then the county shall not receive an aid increase under this paragraph.

EFFECTIVE DATE: This section is effective for aids payable in 2001 and thereafter.

Sec. 4. Minnesota Statutes 1999 Supplement, section 275.70, subdivision 5, is amended to read:

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) for unreimbursed expenses related to flooding that occurred during the first half of calendar year 1997, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(6) for local units of government located in an area designated by the Federal Emergency Management Agency pursuant to a major disaster declaration issued for Minnesota by President Clinton after April 1, 1997, and before June 11, 1997, for the amount of tax dollars lost due to abatements authorized under section 273.123, subdivision 7, and Laws 1997, chapter 231, article 2, section 64, to the extent that they are related to the major disaster and to the extent that neither the state or federal government reimburses the local government for the amount lost;

(7) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(8) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 1997, or (ii) it is a new matching requirement that didn't exist prior to 1998;

(9) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(10) for the amount of tax revenue lost due to abatements authorized under section 273.123, subdivision 7, for damage related to the tornadoes of March 29, 1998, to the extent that neither the state or federal government provides reimbursement for the amount lost;

(11) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(12) to pay an abatement under section 469.1815;

(13) to pay the employer contribution to the local government correctional service retirement plan under section 353E.03, subdivision 2, to the extent that the employer contribution exceeds 5.49 percent of total salary; ~~and~~

(14) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (5), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the department of corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the department of corrections. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination; and

(15) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative.

EFFECTIVE DATE: Minnesota Statutes, section 275.70, subdivision 5, as amended by this section, is effective beginning with taxes levied in 2000, payable in 2001 and thereafter, for any year in which general levy limits are imposed, notwithstanding Laws 1997, chapter 231, article 3, section 9, as amended by Laws 1999, chapter 243, article 6, section 10.

Sec. 5. Minnesota Statutes 1999 Supplement, section 275.71, subdivision 4, is amended to read:

Subd. 4. [PROPERTY TAX LEVY LIMIT.] For taxes levied in ~~1998 and~~ 1999, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (1) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (2) homestead and agricultural aids it is certified to receive under section 273.1398, (3) local performance aid it is certified to receive under section 477A.05, (4) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year but excluding amounts allocated under section 298.28, subdivision 2, paragraph (b), (5) flood loss aid under section 273.1383, and (6) low-income housing aid under sections 477A.06 and 477A.065.

EFFECTIVE DATE: This section is effective for taxes levied in 1999, payable in 2000.

Sec. 6. Minnesota Statutes 1999 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraphs (b) to ~~(k)~~ (n), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

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

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

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

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

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

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

- (i) the city had a population in 1996 of at least 50,000;
- (ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and
- (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

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

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

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

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

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

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

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

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

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

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

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(n) The city aid base for a city is increased by \$45,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, provided that:

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

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

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

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

EFFECTIVE DATE: This section is effective beginning with aids payable in 2001 and thereafter.

Sec. 7. Minnesota Statutes 1999 Supplement, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$20,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to \$380,565,489. For aids payable in 2000 ~~and 2001~~, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3, and increased by the amount necessary to effectuate Laws 1999, chapter 243, article 5, section 48, paragraph (b). For aids payable in 2001 through 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in ~~2002~~ 2004, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in ~~2001~~ 2003 under section 477A.06. For aids payable in ~~2003~~ 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

EFFECTIVE DATE: This section is effective for aids payable in 2000 and thereafter.

Sec. 8. Minnesota Statutes 1999 Supplement, section 477A.06, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) For assessment years ~~1998, 1999, and 2000~~, 2001, and 2002, for all class 4d property on which construction was begun before January 1, 1999, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the property if the class rates for assessment year 1997 were in effect.

(b) In calendar years ~~1999, 2000, and 2001~~, 2002, and 2003, each city shall be eligible for aid equal to (i) the amount by which the sum of the differences determined in clause (a) for the corresponding assessment year exceeds two percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by (ii) the city government's average local tax rate for taxes payable in 1998.

Sec. 9. Minnesota Statutes 1998, section 477A.06, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATION; PAYMENT.] (a) The commissioner shall pay each city its qualifying aid amount on or before July 20 of each year. An amount sufficient to pay the aid authorized under this section is appropriated to the commissioner of revenue from the property tax reform account in fiscal years 2000 and 2001, and from the general fund in fiscal ~~year years~~ years 2002, 2003, and 2004.

(b) For fiscal years ~~2001 and 2002~~ through 2004, the amount of aid appropriated under this section may not exceed \$1,500,000 each year.

(c) If the total amount of aid that would otherwise be payable under the formula in this section exceeds the maximum allowed under paragraph (b), the amount of aid for each city is reduced proportionately to equal the limit.

Sec. 10. Minnesota Statutes 1998, section 477A.11, subdivision 1, is amended to read:

Subdivision 1. [TERMS.] For the purpose of ~~Laws 1979, Chapter 303, Article 8, Sections 1 to 5~~ sections 477A.11 to 477A.145, the terms defined in this section have the meanings given them.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 11. Minnesota Statutes 1998, section 477A.12, is amended to read:

477A.12 [ANNUAL APPROPRIATIONS; LANDS ELIGIBLE; CERTIFICATION OF ACREAGE.]

(a) ~~There is~~ As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for ~~payment to counties within the state an amount equal to transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:~~

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, ~~beginning July 1, 1996~~, 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;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the department of natural resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The department of natural resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land ~~and~~ within each county;

(2) the number of acres of commissioner-administered natural resources land within each county; and

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources.

The commissioner of revenue shall determine the distributions provided for in this section using the number of acres and appraised values certified by the commissioner of natural resources by March 1 of the payment year.

(c) For the purposes of this section, the appraised value of acquired natural resources land is the purchase price for the first five years after acquisition. The appraised value of acquired natural resources land received as a donation is the value determined for the commissioner of natural resources by a licensed appraiser, or the county assessor's estimated market value if no appraisal is done. The appraised value must be determined by the county assessor every five years after the land is acquired.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 12. Minnesota Statutes 1998, section 477A.13, is amended to read:

477A.13 [TIME OF PAYMENT, DEDUCTIONS.]

Payments to the counties ~~shall of the amounts determined under section 477A.12~~ must be made by the commissioner of revenue from the general fund during the month of July of the year next following certification. ~~There shall be deducted from amounts paid any amounts paid to a county or township during the preceding year pursuant to sections 97A.061, subdivisions 1 and 2, and 272.68, subdivision 3, with respect to the lands certified pursuant to section 477A.12 at the time provided in section 477A.015 for the first installment of local government aid.~~

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 13. Minnesota Statutes 1998, section 477A.14, is amended to read:

477A.14 [USE OF FUNDS.]

~~Forty~~ Except as provided in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents ~~per~~, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land and 7.5 cents ~~per~~, as adjusted for inflation under section 477A.145, for each acre of other natural resources land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 14. [477A.145] [INFLATION ADJUSTMENT.]

In 2001 and each year thereafter, the amounts required to be adjusted for inflation in sections 477A.12 and 477A.14 shall be increased to an amount equal to: (1) the amount before the inflation adjustment multiplied by (2) one plus the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the period indicated below:

(i) the period starting with the first quarter of 1994 and ending with the third quarter of the calendar year prior to the year in which aid is paid, provided that lands acquired by the state under chapter 84A that are designated as state parks, state recreation areas, scientific and natural areas, or wildlife management areas are included in the definition of acquired natural resource land under section 477A.11 for calculating payments in calendar year 2001 and thereafter;

(ii) otherwise the period starting with the first quarter of 1987 and ending with the third quarter of the calendar year prior to the year in which the aid is paid.

These adjusted amounts must be rounded to the nearest one-tenth of a cent.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 15. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243, article 6, section 9, is amended to read:

Sec. 3. [TAX; PAYMENT OF EXPENSES.]

(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds ~~.0063~~ 0.063 percent of taxable market value.

(b) ~~.0048~~ 0.048 percent of taxable market value of tax in paragraph (a) may be used only for acquisition, betterment, and maintenance of the district's hospital and nursing home facilities and equipment, and not for administrative or salary expenses.

(c) ~~.0015~~ 0.015 percent of taxable market value of the tax in paragraph (a) may be used solely for the purpose of capital expenditures as it relates to ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not for administrative or salary expenses.

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

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

Sec. 16. Laws 1999, chapter 243, article 6, section 18, is amended to read:

Sec. 18. [EFFECTIVE DATE.]

Sections 3 to 6 and 10 are effective for taxes levied in 1999, and payable in 2000. Section 7 is effective the day following final enactment for taxes levied in 1999 and thereafter. Sections 8 and 17 are effective for taxes levied in 1999, payable in 2000, and thereafter.

The ~~.0015~~ 0.063 percent of market value levy described in section 9, paragraph (a), and the 0.015 percent of taxable market value levy described in section 9, paragraph (c), is are effective for the cities of Cook and Orr and the counties of St. Louis and Koochiching for affected parts of those counties on January 1, 2000, to be requested for levies certified in the year 2000, with the first payment to be received and taxes payable in 2001 and thereafter. The 0.048 percent market value levy described in section 9, paragraph (b), is effective for the cities of Cook and Orr and the counties of St. Louis and Koochiching for the affected parts of those counties on January 1, 1999, for levies certified in 1999 and taxes payable in 2000 and thereafter.

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

Sec. 17. [CAPITOL REGION WATERSHED DISTRICT LEVY LIMIT.]

The capitol region watershed district managers may levy an annual ad valorem tax of 0.02418 percent of taxable market value or \$200,000, whichever is less, under Minnesota Statutes, section 103D.905, subdivision 3, notwithstanding the maximum dollar limit for the administrative fund in that subdivision.

EFFECTIVE DATE: This section is effective for taxes levied in 2000, payable in 2001 and thereafter.

Sec. 18. [ADDITIONAL AID; LINCOLN COUNTY.]

Subdivision 1. [AID INCREASE.] For aids payable in 2000, Lincoln county shall receive an aid payment of up to \$150,000 under this section. The entire amount of this additional aid shall be paid from the appropriation for reimbursement for court-ordered counsel under section 477A.0121, subdivision 4, with the December 26 payment of other aids paid under Minnesota Statutes, section 477A.015, and shall be equal to the estimated amount of the appropriation under Minnesota Statutes, section 477A.0121, subdivision 4, up to \$150,000, that will not be spent for public defender costs under Minnesota Statutes, section 611.27, in fiscal year 2000.

For aids payable in 2001, Lincoln county shall receive an additional payment under this section of up to the difference between \$150,000 and what the county received under this provision in the previous year. The entire amount of this additional aid shall be paid from the appropriation for reimbursement for court-ordered counsel under section 477A.0121, subdivision 4, with the December 26 payment of other aids paid under Minnesota Statutes, section 477A.015, and shall be equal to the estimated amount of the appropriation under Minnesota Statutes, section 477A.0121, subdivision 4, up to the limit determined in this paragraph, that will not be spent for public defender costs under Minnesota Statutes, section 611.27, in fiscal year 2001.

The county is not limited to the purposes listed in Minnesota Statutes, section 477A.015, for spending this aid and may pay a portion of this aid to Lake Benton township to reimburse the township for losses due to the Wind Tower lawsuit settlement. The aid under this section must not be included in calculating any aids or any limitations on levies or expenditures under law.

EFFECTIVE DATE: This section is effective the day after timely compliance by the governing body of Lincoln county and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. [LOCAL GOVERNMENT AID TO CITIES; THE CITY OF ST. CLOUD AND ST. AUGUSTA TOWNSHIP (THE CITY OF VENTURA).]

Subdivision 1. [ADDITIONAL LOCAL GOVERNMENT AID.] For aids payable in 2001 only, an additional payment of \$32,000 shall be paid to the city of St. Cloud and an additional aid payment of \$75,000 shall be paid to St. Augusta township or its succeeding municipal government (the city of Ventura). This aid shall be paid out of the city aid appropriation under Minnesota Statutes, section 477A.03, subdivision 2, paragraph (d). The aid under this section must not be included in calculating aid paid under Minnesota Statutes, section 477A.013, subdivision 9, or any other law, or of any limitations on levies or expenditures.

EFFECTIVE DATE: This section is effective for aids payable in calendar year 2001 only for the city of St. Cloud, upon timely compliance by its governing body and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3. This section is effective for aids payable in calendar year 2001 only for St. Augusta township (city of Ventura), upon timely compliance by its governing body and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. [LAKE OF THE WOODS AND KOOCHICHING COUNTIES; EXPENDITURES FOR ROAD AND BRIDGE PURPOSES.]

(a) Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Lake of the Woods county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

(b) Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Koochiching county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

EFFECTIVE DATES: This section is effective for Lake of the Woods county upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3. This section is effective for Koochiching county upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. [ST. LOUIS COUNTY; CAPITAL IMPROVEMENT PLAN DEFINITION.]

For St. Louis county, the St. Louis county heritage and arts center is included in the definition of "capital improvement" in Minnesota Statutes, section 373.40, subdivision 1, but only with respect to bonds issued before July 1, 2002.

EFFECTIVE DATE: This section is effective upon approval by the governing body of St. Louis county, and compliance with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 7

MOTOR VEHICLE REGISTRATION TAX

Section 1. Minnesota Statutes 1998, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. [PASSENGER AUTOMOBILE; HEARSE.] (a) On passenger automobiles as defined in section 168.011, subdivision 7, and hearses, except as otherwise provided, the tax shall be \$10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
\$ 0	\$199.99
200	399.99

and thereafter a series of classes successively set in brackets having a spread of \$200 consisting of such number of classes as will permit classification of all vehicles.

(f) The base value for purposes of this section shall be the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the foregoing manner, the registrar may use any other available source or method. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) Except as provided in paragraph (i), the annual additional tax computed upon the base value as provided herein, during the first and second years of vehicle life shall be computed upon 100 percent of the base value; for the third and fourth years, 90 percent of such value; for the fifth and sixth years, 75 percent of such value; for the seventh year, 60 percent of such value; for the eighth year, 40 percent of such value; for the ninth year, 30 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of \$25.

In no event shall the annual additional tax be less than \$25. The total tax under this subdivision shall not exceed \$189 for the first renewal period and shall not exceed \$99 for subsequent renewal periods. The total tax under this subdivision on any vehicle filing its initial registration in Minnesota in the second year of vehicle life shall not exceed \$189 and shall not exceed \$99 for subsequent renewal periods. The total tax under this subdivision on any vehicle filing its initial registration in Minnesota in the third or subsequent year of vehicle life shall not exceed \$99 and shall not exceed \$99 in any subsequent renewal period.

(i) The annual additional tax under paragraph (h) on a motor vehicle on which the first annual tax was paid before January 1, 1990, must not exceed the tax that was paid on that vehicle the year before.

EFFECTIVE DATE: This section is effective for taxes first due after June 30, 2000.

Sec. 2. Minnesota Statutes 1998, section 297B.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL FUND SHARE.] ~~(a) Money collected and received under this chapter must be deposited in the state treasury and credited to the general fund. The amounts collected and received shall be credited as provided in this subdivision, and transferred from the general fund on July 15 and February 15 of each fiscal year. The commissioner of finance must make each transfer based upon the actual receipts of the preceding six calendar months and include the interest earned during that six-month period. The commissioner of finance may establish a quarterly or other schedule providing for more frequent payments to the transit assistance fund if the commissioner determines it is necessary or desirable to provide for the cash flow needs of the recipients of money from the transit assistance fund.~~

~~(b) Twenty-five Thirty-two percent of the money collected and received under this chapter after June 30, 1990, and before July 1, 1991, must be transferred to the highway user tax distribution fund and the transit assistance fund for apportionment as follows: 75 percent must be transferred to deposited in the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund, and the remaining 25 68 percent of the money must be transferred to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state and to the metropolitan council deposited in the general fund.~~

~~(c) The distributions under this subdivision to the highway user tax distribution fund until June 30, 1991, and to the trunk highway fund thereafter, must be reduced by the amount necessary to fund the appropriation under section 41A.09, subdivision 1. For the fiscal years ending June 30, 1988, and June 30, 1989, the commissioner of finance, before making the transfers required on July 15 and January 15 of each year, shall estimate the amount required to fund the appropriation under section 41A.09, subdivision 1, for the six-month period for which the transfer is being made. The commissioner shall then reduce the amount transferred to the highway user tax distribution fund by the amount of that estimate. The commissioner shall reduce the estimate for any six-month period by the amount by which the estimate for the previous six-month period exceeded the amount needed to fund the appropriation under section 41A.09, subdivision 1, for that previous six-month period. If at any time during a six-month period in those fiscal years the amount of reduction in the transfer to the highway user tax distribution fund is insufficient to fund the appropriation under section 41A.09, subdivision 1, for that period, the commissioner shall transfer to the general fund from the highway user tax distribution fund an additional amount sufficient to fund the appropriation for that period, but the additional amount so transferred to the general fund in a six-month period may not exceed the amount transferred to the highway user tax distribution fund for that six-month period.~~

EFFECTIVE DATE: This section is effective for money collected and received after June 30, 2002.

Sec. 3. [APPROPRIATION.]

For fiscal year 2001, \$149,804,000 is appropriated from the general fund to the highway user tax distribution fund. For fiscal year 2002, \$161,723,000 is appropriated from the general fund to the highway user tax distribution fund.

ARTICLE 8

SALES AND USE TAXES

Section 1. Minnesota Statutes 1999 Supplement, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

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

(1) Two business days before June 30 of the year, the vendor must remit ~~75~~ 62 percent of the estimated June liability to the commissioner.

(2) On or before August 14 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the 14th day of the month following the month in which the taxable event occurred, or on or before the 14th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for ~~75~~ 62 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 14. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) If the vendor required to remit by electronic funds transfer as provided in paragraph (c) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (c) in all subsequent periods. This paragraph does not apply to the June sales and use tax liability.

EFFECTIVE DATE: The portion of this section related to the percent of the June liability that must be filed by two business days before the end of June is effective beginning with the June 2002 liability. The remainder of this section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 1998, section 289A.60, subdivision 14, is amended to read:

Subd. 14. [PENALTY FOR USE OF SALES TAX EXEMPTION CERTIFICATES TO EVADE TAX.] A person who uses an exemption certificate to buy property or purchase services that will be used for purposes other than the exemption claimed, with the intent to evade payment of sales tax to the seller, is subject to a penalty of \$100 for each transaction where that use of an exemption certificate has occurred.

EFFECTIVE DATE: This section is effective for exemption certificates used on or after July 1, 2000.

Sec. 3. Minnesota Statutes 1998, section 289A.60, subdivision 15, is amended to read:

Subd. 15. [ACCELERATED PAYMENT OF JUNE SALES TAX LIABILITY; PENALTY FOR UNDERPAYMENT.] If a vendor is required by law to submit an estimation of June sales tax liabilities and 75 62 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 75 62 percent of the preceding May's liability or 75 62 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE: This section is effective beginning with the June 2002 liability.

Sec. 4. Minnesota Statutes 1998, section 297A.01, subdivision 13, is amended to read:

Subd. 13. "Agricultural production," as used in section 297A.25, subdivision 9, includes, but is not limited to, horticulture; floriculture; maple syrup harvesting; raising of pets, fur bearing animals, research animals, farmed cervidae, as defined in section 17.451, subdivision 2, llamas, as defined in section 17.455, subdivision 2, ratitae, as defined in section 17.453, subdivision 3, and horses.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 5. Minnesota Statutes 1998, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees and shrubs, forage, grains and bees and apiary products. "Farm machinery" includes:

(1) machinery for the preparation, seeding or cultivation of soil for growing agricultural crops and sod, harvesting and threshing of agricultural products, harvesting or mowing of sod, and certain machinery for dairy, livestock and poultry farms;

(2) barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2;

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; ~~and~~

(7) aquaculture production equipment as defined in subdivision 19; and

(8) equipment used for maple syrup harvesting.

Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material except fencing material covered by clause (5), communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers except those used in the production of sod for sale, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 6. Minnesota Statutes 1998, section 297A.15, is amended by adding a subdivision to read:

Subd. 8. [REFUND; APPROPRIATION; AGRICULTURAL PROCESSING FACILITIES.] The tax on the gross receipts from the sale of items exempt under section 297A.25, subdivision 90 or 91, must be imposed and collected as if the sale were taxable and the rate under section 297A.02, subdivision 1, applied.

Upon application by the owner of the property on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the building materials and equipment must be paid to the owner. In the case of materials and equipment in which the tax was paid by a contractor, application must be made by the owner for the sales tax paid by the contractor. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The contractor must furnish to the owner a statement of the cost of building materials and equipment and the sales taxes paid on these items. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

EFFECTIVE DATE: This section is effective for applications for refund made after June 30, 2000.

Sec. 7. Minnesota Statutes 1998, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross receipts from the following sales of, and storage, use, or consumption of, tangible personal property are exempt:

(1) property which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or

(2) property which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce; or

(3) aircraft, as defined in section 360.511 and approved by the Federal Aviation Administration, and which the seller delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or transported outside Minnesota by the purchaser, but only if the purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter returned to a point within Minnesota, except in the course of interstate commerce or isolated and

occasional use and will be registered in another state or country upon its removal from Minnesota; this exemption applies even if the purchaser takes possession of the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes for a period not to exceed ten days prior to removing the aircraft from this state.

EFFECTIVE DATE: This section is effective for purchases made after the date of final enactment.

Sec. 8. Minnesota Statutes 1999 Supplement, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, as amended through December 31, 1991, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of horses and agricultural production animals are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. The following materials, tools, and equipment used in metalcasting are exempt under this subdivision: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, ~~and~~ degassing lances, and base blocks. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption. Petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state are not included in this exemption.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 9. Minnesota Statutes 1999 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich center for arts education, an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts, public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the legislative reference library are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 10. Minnesota Statutes 1998, section 297A.25, subdivision 16, is amended to read:

Subd. 16. [SALES TO NONPROFIT GROUPS.] The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the property

purchased is to be used in the performance of charitable, religious, or educational functions, or any senior citizen group or association of groups that in general limits membership to persons who are either (1) age 55 or older, or (2) physically disabled, and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders, are exempt. For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization. Sales exempted by this subdivision include sales pursuant to section 297A.01, subdivision 3, paragraphs (d) and (f). This exemption shall not apply to building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities. This exemption ~~does not apply~~ applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, only if the vehicle is:

(1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 11. Minnesota Statutes 1998, section 297A.25, subdivision 34, is amended to read:

Subd. 34. [MOTOR VEHICLES.] The gross receipts from the sale or use of any motor vehicle taxable under the provisions of the sales tax on motor vehicles laws of Minnesota shall be exempt from taxation under this chapter. Notwithstanding subdivision 11, the exemption provided under this subdivision remains in effect for motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), or exempt from taxation under section 473.448.

EFFECTIVE DATE: This section is retroactively effective July 1, 1997.

Sec. 12. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 84. [MATERIALS USED TO MAKE RESIDENTIAL PROPERTY HANDICAPPED ACCESSIBLE.] The gross receipts from the sale to, and the storage, use, or consumption of building materials and equipment to a nonprofit organization is exempt if:

(1) the materials and equipment are used or incorporated into modifying an existing residential structure to make it handicapped accessible; and

(2) the materials and equipment used in the modification would qualify for an exemption under either subdivision 20 or 43 if made by the current owner of the residence.

For purposes of this subdivision, "nonprofit organization" means any nonprofit corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, educational, or civic purposes; or a veterans' group exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 13. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 85. [MAINTENANCE OF CEMETERY GROUNDS.] Lawn care and related services used in the maintenance of cemetery grounds are exempt. For purposes of this subdivision, "lawn care and related services" means the services listed in section 297A.01, subdivision 3, paragraph (i), clause (vi), and "cemetery" means a cemetery for human burial.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 14. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 86. [PATENT, TRADEMARK, AND COPYRIGHT DRAWINGS AND DOCUMENTS.] The gross receipts from the sale of, and use, storage, distribution, or consumption of a drawing, diagram, or similar or related document or a copy of such a document are exempt if the document:

(1) is produced and sold by a patent drafter; and

(2) is for use in:

(i) a patent, trademark, or copyright application to be filed with government agencies;

(ii) an application to the federal Food and Drug Administration for approval of a medical device; or

(iii) a judicial or quasi-judicial proceeding, including mediation and arbitration, relating to the validity of or legal rights under a patent, trademark, or copyright.

For purposes of this subdivision, a "patent drafter" is a person who prepares illustrative documents required in the preparation of intellectual property applications.

EFFECTIVE DATE: This section is effective for sales, use, storage, distribution, or consumption occurring after June 30, 2000.

Sec. 15. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 88. [MACHINERY AND EQUIPMENT FOR SKI AREAS.] The gross receipts from the sale, storage, use, or consumption of tangible personal property used or consumed primarily and directly for tramways at ski areas or in snowmaking and snow-grooming operations at ski hills, ski slopes, or ski trails, including machinery, equipment, fuel, electricity, and water additives used in the production and maintenance of machine-made snow, are exempt.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 16. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 89. [FEED FOR POULTRY RAISED FOR HUMAN CONSUMPTION.] The gross receipts from the sale of, and storage, use, or consumption of poultry feed is exempt if the poultry is raised for human consumption.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 17. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 90. [CONSTRUCTION MATERIALS AND EQUIPMENT; AGRICULTURAL PROCESSING FACILITY.] Materials, supplies, and equipment used or consumed in the construction and initial equipping of an agricultural pork processing facility are exempt from the tax imposed under this chapter provided that the following conditions are met:

(1) the construction and equipping of the facility will be at least \$4,000,000;

(2) the facility is owned and operated by a cooperative organized under chapter 308A; and

(3) the facility will have a maximum daily processing capacity of at least 400 hogs.

The exemption applies regardless of whether the materials, supplies, and equipment are purchased by the owner or by a contractor, subcontractor, or builder. The tax must be calculated and paid at the time of purchase and a refund applied for in the manner prescribed in section 297A.15, subdivision 8.

EFFECTIVE DATE: This section is effective for sales and purchases made after January 1, 2000, and before December 31, 2000.

Sec. 18. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 91. [CONSTRUCTION MATERIALS AND EQUIPMENT; PORK AND BEEF AGRICULTURAL PROCESSING FACILITY.] Materials, supplies, and equipment used or consumed in the construction and initial equipping of an agricultural processing facility are exempt from the tax imposed under this chapter provided that the following conditions are met:

(1) the construction and equipping of the facility will be at least \$1,500,000;

(2) the facility is owned and operated by a C corporation, as defined in section 1361(a)(2) of the Internal Revenue Code of 1986, with fewer than 20 shareholders of which at least one-half of them are full-time or part-time farmers;

(3) the facility will have a weekly processing capacity of at least 50 hogs and 30 beef animals. The exemption applies regardless of whether the materials, supplies, and equipment are purchased by the owner or by a contractor, subcontractor, or builder. The tax must be calculated and paid at the time of purchase and a refund applied for in the manner prescribed in section 297A.15, subdivision 8.

EFFECTIVE DATE: This section is effective for sales and purchases made after December 1, 1999, and before December 31, 2000.

Sec. 19. Minnesota Statutes 1998, section 297B.01, subdivision 7, is amended to read:

Subd. 7. [SALE, SELLS, SELLING, PURCHASE, PURCHASED, OR ACQUIRED.] "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business. Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale. The terms also shall include any transfer of title or ownership of a motor vehicle by way of gift or by any other manner or by any other means whatsoever, for or without consideration, except that these terms shall not include:

(a) the acquisition of a motor vehicle by inheritance from or by bequest of, a decedent who owned it;

(b) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(c) the transfer of a motor vehicle by way of gift between a husband and wife or parent and child individuals, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(d) the voluntary or involuntary transfer of a motor vehicle between a husband and wife in a divorce proceeding;
or

(e) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code, as amended through December 31, 1996, when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

EFFECTIVE DATE: This section is effective for registrations after June 30, 2000.

Sec. 20. Minnesota Statutes 1998, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

(2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351 or, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, ~~1988~~ 1999.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce.

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs.

(7) Purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10.

(8) Purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle.

(9) Purchase of a ready-mixed concrete truck.

(10) Purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks.

(11) Purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000, except that the new language in clause (4) is effective the day following final enactment.

Sec. 21. [LOCAL TAXES ON MOTOR VEHICLES.]

Subdivision 1. [SALES TAX PROHIBITED; PHASE-OUT.] (a) Except as provided in paragraph (b), after June 30, 2000, no home rule charter or statutory city, county, or other political subdivision may impose a tax on the sale, transfer, or use of a motor vehicle that exceeds the tax authorized under subdivision 2.

(b) If, on March 8, 2000, a tax was in effect in a home rule charter or statutory city, county, or other political subdivision that exceeded the limit imposed under subdivision 2, the rate of that tax is reduced as follows:

(1) for sales or transfers after December 31, 2000, and before January 1, 2002, the tax rate in effect on March 8, 2000, is reduced by 25 percent;

(2) for sales or transfers after December 31, 2001, and before January 1, 2003, the tax rate in effect on March 8, 2000, is reduced by 50 percent; and

(3) for sales or transfers after December 31, 2002, and before January 1, 2004, the tax rate in effect on March 8, 2000, is reduced by 75 percent.

For sales or transfers after December 31, 2003, the political subdivision may impose no tax except as authorized under subdivision 2.

Subd. 2. [EXCISE TAX ON MOTOR VEHICLES AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax on motor vehicles that was imposed by a political subdivision is terminated under subdivision 1, the political subdivision may impose by ordinance an excise tax of up to \$20 per motor vehicle, as defined by ordinance, that was purchased or acquired from any person engaged within the territory of the political subdivision in the business of selling motor vehicles at retail. The proceeds of the tax must be used for the purposes for which the tax terminated under subdivision 1 was used.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 22. [DEVELOPMENT OF SALES AND USE TAX COLLECTION SYSTEM.]

Subdivision 1. [AUTHORIZATION TO ENTER INTO MULTISTATE DISCUSSIONS.] The commissioner of revenue may enter into discussions with states regarding development of a multistate, voluntary, streamlined system for sales and use tax collection and administration. These discussions will focus on development of a system that is capable of determining whether a transaction is taxable or exempt, the appropriate tax rate applied to the transaction, and the total tax due on the transaction, and shall provide a method for collecting and remitting sales and use taxes to the state. The system may provide compensation for the costs of collecting and remitting sales and use taxes. Discussions between the department and other states may result in developing and issuing a joint request for information from public and private potential parties. The commissioner must publish the notices in the State Register.

Subd. 2. [LIMITED TEST AUTHORIZATION.] (a) The commissioner may participate in a sales tax pilot project with other states and selected businesses to test a means for simplifying sales and use tax administration, and may enter into joint agreements for that purpose.

(b) Agreements to participate in the test will establish provisions for the administration, imposition, and collection of sales and use taxes resulting in revenues paid by the taxpayer that are the same as would be paid under existing law.

(c) Parties to the agreements are excused from complying with the provisions of Minnesota Statutes, chapters 289A and 297A, except for provisions setting tax rates and providing for tax exemptions, to the extent a different procedure is required by the agreements.

(d) Agreements authorized under this section terminate no later than December 31, 2001.

Subd. 3. [DISCLOSURE.] Any agreements entered into under subdivision 1 or 2 are subject to the provisions of Minnesota Statutes, chapter 270B.

Subd. 4. [REPORT ON PROJECT.] By March 1, 2002, the commissioner shall report to the chairs of the house of representatives tax committee and the senate committee on taxes. The report must describe the status of multistate discussions conducted under subdivision 1 and, if a proposed system has been agreed upon by participating states, must also recommend whether the state should participate in the system.

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

ARTICLE 9

HEALTH CARE TAXES

Section 1. Minnesota Statutes 1998, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs (d), (e), (h), and (i), installments must be based on a sum equal to two percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a), (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

(c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is \$500 or less.

(d) For health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks, the installments must be based on an amount determined under paragraph (h) or (i).

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of \$5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) If the aggregate amount of premium tax payments under this section and the fire marshal tax payments under section 299F.21 made during a calendar year is equal to or exceeds \$120,000, all tax payments in the subsequent calendar year must be paid by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due.

(g) Premiums under medical assistance, general assistance medical care, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan and all payments, revenues, and reimbursements received from the federal government for Medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (e), are not subject to tax under this section.

~~(h) For calendar years 1997, 1998, and 1999, the installments for health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations must be based on an amount equal to one percent of premiums described under paragraph (b). Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1996 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1997, and before April 1, 1998. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1997 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1998, and before April 1, 1999. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1998 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1999, and before January 1, 2000. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations are exempt from the tax imposed under this section on premiums received in calendar years 2001 and 2002.~~

~~(i) For calendar years after 1999 2002, the commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999. If the commissioner determines that there is no structural deficit for the next fiscal year, no tax shall be imposed under paragraph (d) for the following calendar year. If the commissioner determines that there will be a structural deficit in the fund for the following fiscal year, then the commissioner, in consultation with the commissioner of revenue, shall determine the amount needed to eliminate the structural deficit and a tax shall be imposed under paragraph (d) for the following calendar year. The commissioner shall determine the rate of the tax as either one-quarter of one percent, one-half of one percent, three-quarters of one percent, or one percent of premiums described in paragraph (b), whichever is the lowest of those rates that the commissioner determines will produce sufficient revenue to eliminate the projected structural deficit. The commissioner of finance shall publish in the State Register by October 1 of each year the amount of tax to be imposed for the following calendar year. In determining the structural balance of the health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program a rate of one percent applies to premiums of health maintenance organizations, community-integrated service networks, and nonprofit health service plan corporations.~~

(j) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall ensure that any exemption from the tax as described in paragraphs (h) and (i) is reflected in the premium rate.

EFFECTIVE DATE: This section is effective for taxes on premiums received after December 31, 2000.

Sec. 2. Minnesota Statutes 1998, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. [PATIENT SERVICES.] (a) "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer:

- (1) bed and board;
- (2) nursing services and other related services;
- (3) use of hospitals, surgical centers, or health care provider facilities;
- (4) medical social services;
- (5) drugs, biologicals, supplies, appliances, and equipment;
- (6) other diagnostic or therapeutic items or services;
- (7) medical or surgical services;
- (8) items and services furnished to ambulatory patients not requiring emergency care;
- (9) emergency services; and
- (10) covered services listed in section 256B.0625 and in Minnesota Rules, parts 9505.0170 to 9505.0475.

(b) "Patient services" does not include:

- (1) services provided to nursing homes licensed under chapter 144A; and
- (2) examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.

EFFECTIVE DATE: This section is effective for payments received on or after January 1, 2000.

Sec. 3. Minnesota Statutes 1999 Supplement, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), ~~or~~ (13), or (20);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), ~~or~~ (13), or (20);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable;

(19) payments received for services provided by: assisted living programs and congregate housing programs; and

~~(20) payments received from nursing homes licensed under chapter 144A for services provided to a nursing home; and~~

~~(21) payments received for examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.~~

(20) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

EFFECTIVE DATE: This section is effective for payments received on or after January 1, 2000.

Sec. 4. Minnesota Statutes 1998, section 295.58, is amended to read:

295.58 [DEPOSIT OF REVENUES AND PAYMENT OF REFUNDS.]

The commissioner shall deposit all revenues, including penalties and interest, derived from the taxes imposed by sections 295.50 to 295.57 and from the insurance premiums tax on health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund in the state treasury. ~~Refunds of overpayments must be paid from the health care access fund in the state treasury.~~ There is annually appropriated from the health care access fund to the commissioner of revenue the amount necessary to make any refunds required under ~~section 295.54~~ this chapter.

EFFECTIVE DATE: This section is effective for refunds made on or after January 1, 1999.

ARTICLE 10

SPECIAL TAXES

Section 1. Minnesota Statutes 1998, section 115A.557, subdivision 3, is amended to read:

Subd. 3. [ELIGIBILITY TO RECEIVE MONEY.] (a) To be eligible to receive money distributed by the director under this section, a county shall within one year of October 4, 1989:

(1) create a separate account in its general fund to credit the money; and

(2) set up accounting procedures to ensure that money in the separate account is spent only for the purposes in subdivision 2.

(b) In each following year, each county shall also:

(1) have in place an approved solid waste management plan or master plan including a recycling implementation strategy under section 115A.551, subdivision 7, and a household hazardous waste management plan under section 115A.96, subdivision 6, by the dates specified in those provisions;

(2) submit a report by April 1 of each year to the director detailing for the previous calendar year:

(i) how the money was spent including, but not limited to, specific information on the number of employees performing SCORE planning, oversight, and administration; the percentage of those employees' total work time allocated to SCORE planning, oversight, and administration; the specific duties and responsibilities of those employees; and the amount of staff salary for these SCORE duties and responsibilities of the employees; and (ii) the resulting gains achieved in solid waste management practices during the previous calendar year; and

(3) provide evidence to the director that local revenue equal to 25 percent of the money sought for distribution under this section will be spent for the purposes in subdivision 2.

(c) The director shall withhold all or part of the funds to be distributed to a county under this section if the county fails to comply with this subdivision and subdivision 2.

Sec. 2. Minnesota Statutes 1999 Supplement, section 287.01, subdivision 2, is amended to read:

Subd. 2. [AMENDMENT.] "Amendment" means generally a document that alters an existing mortgage without securing a new debt, or increasing the amount of an existing debt; and, that does not, in the case of a multistate mortgage described in section 287.05, subdivision 1, paragraph (b), result in an increased percentage of the real property encumbered by the mortgage being located in this state. ~~Specifically; A document is considered an amendment to the extent it merely does if it meets the definition in this subdivision, including documents that do any one or any combination more~~ of the following:

- (i) extends the time for payment of the unpaid portion of the original debt;
- (ii) changes the rate of interest applicable to the unpaid portion of the original debt;
- (iii) adds additional real property as security for the unpaid portion of the original debt;
- (iv) releases some but not all of the real property serving as security for the unpaid portion of the debt;
- (v) replaces all the real property serving as security for the unpaid portion of the debt with other real property regardless of value;
- (vi) replaces a party previously bound by the mortgage with a new party who becomes bound by the same amended mortgage; or
- (vii) reduces the amount of the debt secured by real property located in this state, or in the case of a multistate mortgage described in section 287.05, subdivision 1, paragraph (b), reduces the percentage of real property encumbered by the mortgage that is located in this state.

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

Sec. 3. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] A tax is imposed on all lawful gambling other than (1) pull-tab deals or games; (2) tipboard deals or games; and (3) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of ~~9~~ 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 4. Minnesota Statutes 1998, section 297E.02, is amended by adding a subdivision to read:

Subd. 2a. [TAX CREDIT FOR CERTAIN RAFFLES.] An organization may claim a credit equal to the tax reported under subdivision 1 resulting from a raffle the net proceeds of which have been used exclusively for the purposes of section 349.12, subdivision 25, paragraph (a), clause (2). The organization claiming the credit must do so on the monthly gambling tax return on which the raffle activity is reported under subdivision 1.

EFFECTIVE DATE: This section is effective August 1, 2000.

Sec. 5. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~4.8~~ 1.7 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on

the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

- (1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;
- (2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;
- (3) sales of promotional tickets as defined in section 349.12; and
- (4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to ~~1.8~~ 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be ~~1.85~~ 1.75 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February ~~2000~~ 2001 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 6. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 6, is amended to read:

Subd. 6. [COMBINED RECEIPTS TAX.] In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:	The tax is:
Not over \$500,000	zero

Over 500,000, but not over \$700,000	1.8 <u>1.7</u> percent of the amount over \$500,000, but not over \$700,000
Over \$700,000, but not over \$900,000	\$3,600 <u>\$3,400</u> plus 3.6 <u>3.4</u> percent of the amount over \$700,000, but not over \$900,000
Over \$900,000	\$10,800 <u>\$10,200</u> plus 5.4 <u>5.1</u> percent of the amount over \$900,000

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 7. Minnesota Statutes 1998, section 297F.01, subdivision 7, is amended to read:

Subd. 7. [CONSUMER.] "Consumer" means ~~any person~~ an individual who has title to or possession of cigarettes or tobacco products ~~in storage, for use or other personal consumption in this state rather than for sale.~~

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

Sec. 8. Minnesota Statutes 1998, section 297F.01, is amended by adding a subdivision to read:

Subd. 9a. [INVOICE.] "Invoice" means a detailed list of cigarettes and tobacco products purchased or sold in this state that contains the following information:

(1) name of seller;

(2) name of purchaser;

(3) date of sale;

(4) invoice number;

(5) itemized list of goods sold including brands of cigarettes and number of cartons of each brand, unit price, and identification of tobacco products by name, quantity, and unit price; and

(6) any rebates, discounts, or other reductions.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 9. Minnesota Statutes 1998, section 297F.01, subdivision 14, is amended to read:

Subd. 14. [RETAILER.] "Retailer" means a person required to be licensed under chapter 461 engaged in this state in the business of selling, or offering to sell, cigarettes or tobacco products to consumers.

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

Sec. 10. Minnesota Statutes 1998, section 297F.01, subdivision 17, is amended to read:

Subd. 17. [STAMP.] "Stamp" means the adhesive stamp supplied by the commissioner of revenue for use on cigarette packages or any other indicia adopted by the commissioner to indicate that the tax has been paid.

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

Sec. 11. Minnesota Statutes 1998, section 297F.01, is amended by adding a subdivision to read:

Subd. 21a. [UNLICENSED SELLER.] "Unlicensed seller" means anyone who is not licensed under section 297F.03 or 461.12 to sell the particular product to the purchaser or possessor of the product.

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

Sec. 12. Minnesota Statutes 1998, section 297F.08, subdivision 2, is amended to read:

Subd. 2. [TAX DUE; CIGARETTES.] Notwithstanding any other provisions of this chapter, the tax due on the return is based upon actual ~~heat-applied~~ stamps purchased during the reporting period.

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

Sec. 13. Minnesota Statutes 1998, section 297F.08, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF PROCEEDS.] The commissioner shall use the amounts appropriated by law to purchase ~~heat-applied~~ stamps for resale. The commissioner shall charge the purchasers for the costs of the stamps along with the tax value plus shipping costs. The costs recovered along with shipping costs must be deposited into the general fund.

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

Sec. 14. Minnesota Statutes 1998, section 297F.08, subdivision 8, is amended to read:

Subd. 8. [SALE OF STAMPS.] The commissioner may sell ~~heat-applied~~ stamps on a credit basis under conditions prescribed by the commissioner. The commissioner shall sell the stamps at a price which includes the tax after giving effect to the discount provided in subdivision 7. The commissioner shall recover the actual costs of the stamps from the distributor. The commissioner shall annually establish the maximum amount of ~~heat-applied~~ stamps that may be purchased each month.

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

Sec. 15. Minnesota Statutes 1999 Supplement, section 297F.08, subdivision 8a, is amended to read:

Subd. 8a. [REVOLVING ACCOUNT.] A ~~heat-applied~~ cigarette tax stamp revolving account is created. The commissioner shall use the amounts in this fund to purchase ~~heat-applied~~ stamps for resale. The commissioner shall charge distributors for the tax value of the stamps they receive along with the commissioner's cost to purchase the stamps and ship them to the distributor. The stamp purchase and shipping costs recovered must be credited to the revolving account and are appropriated to the commissioner for the further purchases and shipping costs. The revolving account is initially funded by a \$40,000 transfer from the department of revenue.

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

Sec. 16. Minnesota Statutes 1998, section 297F.08, subdivision 9, is amended to read:

Subd. 9. [TAX STAMPING MACHINES.] The commissioner shall require any person licensed as a distributor to stamp packages with a ~~heat-applied~~ tax stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall also supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 7. If the commissioner finds that a stamping machine is not affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

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

Sec. 17. Minnesota Statutes 1998, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. ~~The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.~~

EFFECTIVE DATE: This section is effective beginning with the June 2002 liability.

Sec. 18. Minnesota Statutes 1998, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

(1) brought, or caused to be brought, into this state for sale; and

(2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown, less 1.5 percent of the liability as compensation to reimburse the distributor for expenses incurred in the administration of this chapter. ~~The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.~~

EFFECTIVE DATE: This section is effective beginning with the June 2002 liability.

Sec. 19. Minnesota Statutes 1998, section 297F.13, subdivision 4, is amended to read:

Subd. 4. [RETAILER AND SUBJOBBER TO PRESERVE PURCHASE INVOICES.] Every retailer and subjobber shall procure itemized invoices of all cigarettes or tobacco products purchased. ~~The invoices shall show the name and address of the seller and the date of purchase.~~

The retailer and subjobber shall preserve a legible copy of each invoice for one year from the date of ~~purchase~~ the invoice. The retailer and subjobber shall preserve copies of the invoices at each retail location or at a central location provided that the invoice must be produced and made available at a retail location within one hour when requested by the commissioner or duly authorized agents and employees. Copies should be numbered and kept in chronological order.

To determine whether the business is in compliance with the provisions of this chapter and sections 325D.30 to 325D.42, at any time during usual business hours, the commissioner, or duly authorized agents and employees, may enter any place of business of a retailer or subjobber without a search warrant and inspect the premises, the records required to be kept under this chapter, and the packages of cigarettes, tobacco products, and vending devices contained on the premises.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 20. Minnesota Statutes 1998, section 297F.21, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband and therefore subject to civil and criminal penalties under this chapter:

(a) Cigarette packages which do not have stamps affixed to them as provided in this chapter, including but not limited to (i) packages with illegible stamps and packages with stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for the vending of cigarettes in which packages as defined in item (i) are found, including all contents contained within the devices.

(b) A device for the vending of cigarettes and all packages of cigarettes, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp required by this chapter, it shall be presumed that all packages contained in the device are unstamped and contraband.

(c) A device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(d) A device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (a).

(f) Cigarette packages or tobacco products obtained from an unlicensed seller.

(g) Cigarette packages offered for sale or held as inventory in violation of section 297F.20, subdivision 7.

(h) Tobacco products on which the tax has not been paid by a licensed distributor.

(i) Any cigarette packages or tobacco products offered for sale or held as inventory for which there is not an invoice from a licensed seller as required under section 297F.13, subdivision 4.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 21. Minnesota Statutes 1998, section 297F.21, subdivision 3, is amended to read:

Subd. 3. [INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.]

(a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall make available an inventory of the property seized to the person from whom the seizure was made, if known, and file a copy with the commissioner. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the commissioner a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The commissioner, within 60 days, shall institute an action in the district court of the county where the seizure was made to determine the issue of forfeiture. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1.

(b) The action must be brought in the name of the state and must be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(c) When a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, either:

- (1) deliver the forfeited property to the commissioner of human services for use by patients in state institutions;
- (2) cause it to be destroyed; or
- (3) cause it to be sold at public auction as provided by law.

(d) If a demand for judicial determination is made and no action commenced as provided in this subdivision, the property must be released by the commissioner and returned to the person entitled to it. If no demand is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture. ~~When the commissioner is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by this chapter, the commissioner shall release the property seized without further legal proceedings.~~

EFFECTIVE DATE: This section is effective for alleged contraband seized on or after the day following final enactment.

Sec. 22. [REPEALER.]

(a) Minnesota Statutes 1998, section 270.083, is repealed.

(b) Minnesota Statutes 1998, sections 297F.09, subdivision 6; and 297G.09, subdivision 5, are repealed.

EFFECTIVE DATE: This section, paragraph (a), is effective the day following final enactment. This section, paragraph (b) is effective beginning with the June 2002 liability.

ARTICLE 11

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 1998, section 273.1399, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Qualifying captured net tax capacity" means the following amounts:

(1) The captured net tax capacity of a new or the expanded part of an existing economic development tax increment financing district, for which certification was requested after April 30, 1990.

(2) The captured net tax capacity of a new or the expanded part of an existing tax increment financing district, other than an economic development district, for which certification was requested after April 30, 1990, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district.

Number of years	Renewal and Renovation Districts	All other Districts
0 to 5	0	0
6	12.5	6.25
7	25	12.5

8	37.5	18.75
9	50	25
10	62.5	31.25
11	75	37.5
12	87.5	43.75
13	100	50
14	100	56.25
15	100	62.5
16	100	68.75
17	100	75
18	100	81.25
19	100	87.5
20	100	93.75
21 or more	100	100

(3) The following rules apply to a hazardous substance subdistrict. The applicable percentage under clause (2) must be determined under the "all other districts" category. The number of years must be measured from the date of certification of the subdistrict for purposes of the additional captured net tax capacity resulting from the reduction in the subdistrict's or site's original net tax capacity. After termination of the overlying district, captured net tax capacity includes the full amount that is captured by the subdistrict.

(4) Qualified captured tax capacity does not include the captured tax capacity of exempt districts under subdivisions 6 and 7.

(b) The terms defined in section 469.174 have the meanings given in that section.

(c) "Qualified housing district" means:

(1) a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit; or

(2) a housing district for a single-family homeownership project or projects, if 95 percent or more of the homes receiving assistance from tax increments from the district are purchased by qualified purchasers. A qualified purchaser means the first purchaser of a home after the tax increment assistance is provided whose income is at or below 70 percent of the median gross income for a family of the same size as the purchaser. Median gross income is the greater of (i) area median gross income, or (ii) the statewide median gross income, as determined by the secretary of Housing and Urban Development.

EFFECTIVE DATE: This section is effective the day following final enactment, and applies to all districts that are subject to the underlying law.

Sec. 2. Minnesota Statutes 1998, section 428A.11, is amended by adding a subdivision to read:

Subd. 7. [AUTHORITY.] "Authority" means an economic development authority or housing and redevelopment authority created pursuant to section 469.003, 469.004, or 469.091 or another entity authorized by law to exercise the powers of an authority created pursuant to one of those sections.

Sec. 3. Minnesota Statutes 1998, section 428A.11, is amended by adding a subdivision to read:

Subd. 8. [IMPLEMENTING ENTITY.] "Implementing entity" means the city or authority designated in the enabling ordinance as responsible for implementing and administering the housing improvement area.

Sec. 4. Minnesota Statutes 1998, section 428A.13, subdivision 1, is amended to read:

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a one or more housing improvement area areas. The ordinance must specifically describe the portion of the city to be included in the area, the basis for the imposition of the fees, and the number of years the fee will be in effect. In addition, the ordinance must include findings that without the housing improvement area, the proposed improvements could not be made by the condominium associations or housing unit owners, and the designation is needed to maintain and preserve the housing units within the housing improvement area. The ordinance shall designate the implementing entity. The ordinance may not be adopted until a public hearing has been held regarding the ordinance. The ordinance may be amended by the governing body of the city, provided the governing body complies with the public hearing notice provisions of subdivision 2. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

Sec. 5. Minnesota Statutes 1998, section 428A.13, subdivision 3, is amended to read:

Subd. 3. [PROPOSED HOUSING IMPROVEMENTS.] At the public hearing held under subdivision 2, the city proposed implementing entity shall provide a preliminary listing of the housing improvements to be made in the area. The listing shall identify those improvements, if any, that are proposed to be made to all or a portion of the common elements of a condominium. The listing shall also identify those housing units that have completed the proposed housing improvements and are proposed to be exempted from a portion of the fee. In preparing the list the city proposed implementing entity shall consult with the residents of the area and the condominium associations.

Sec. 6. Minnesota Statutes 1998, section 428A.14, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] Fees may be imposed by the city implementing entity on the housing units within the housing improvement area at a rate, term, or amount sufficient to produce revenue required to provide housing improvements in the area to reimburse the implementing entity for advances made to pay for the housing improvements or to pay principal of, interest on, and premiums, if any, on bonds issued by the implementing entity under section 428A.16. The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method determined by the council and specified in the resolution. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

- (1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;
- (2) the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;
- (3) the amount to be charged against the particular property;
- (4) the right of the property owner to prepay the entire fee;
- (5) the number of years the fee will be in effect; and
- (6) a statement that the petition requirements of section 428A.12 have either been met or do not apply to the proposed fee.

Within six months of the public hearing, the city implementing entity may adopt a resolution imposing a fee within the area not exceeding the amount expressed in the notice issued under this section.

Prior to adoption of the resolution approving the fee, the condominium associations located in the housing improvement area shall submit to the city implementing entity a financial plan prepared by an independent third party, acceptable to the city implementing entity and associations, that provides for the associations to finance maintenance and operation of the common elements in the condominium and a long-range plan to conduct and finance capital improvements.

Sec. 7. Minnesota Statutes 1998, section 428A.15, is amended to read:

428A.15 [COLLECTION OF FEES.]

The city implementing entity may provide for the collection of the housing improvement fees according to the terms of section 428A.05.

Sec. 8. Minnesota Statutes 1998, section 428A.16, is amended to read:

428A.16 [BONDS.]

At any time after a contract for the construction of all or part of an improvement authorized under sections 428A.11 to 428A.20 has been entered into or the work has been ordered, the ~~governing body of the city implementing entity~~ may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing.

The obligations are payable primarily out of the proceeds of the fees imposed under section 428A.14, or from any other special assessments or revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The ~~governing body of the city, or if the governing bodies are the same or consist of identical membership, the authority~~ may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to ~~assure bonds issued by it to ensure~~ payment of the principal and interest if the proceeds of the fees in the area are insufficient to pay the principal and interest. The obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations are not included in determination of the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 9. Minnesota Statutes 1998, section 428A.17, is amended to read:

428A.17 [ADVISORY BOARD.]

The ~~governing body of the city~~ implementing entity may create and appoint an advisory board for the housing improvement area in the city to advise the ~~governing body~~ implementing entity in connection with the planning and construction of housing improvements. In appointing the board, the ~~council~~ implementing entity shall consider for membership members of condominium associations located in the housing improvement area. The advisory board shall make recommendations to the ~~governing body~~ implementing entity to provide improvements or impose fees within the housing improvement area. Before the adoption of a proposal by the ~~governing body~~ implementing entity to provide improvements within the housing improvement area, the advisory board of the housing improvement area shall have an opportunity to review and comment upon the proposal.

Sec. 10. Minnesota Statutes 1998, section 428A.19, is amended to read:

428A.19 [ANNUAL REPORTS.]

Each condominium association located within the housing improvement area must, by August 15 annually, submit a copy of its audited financial statements to the city implementing entity. The city may also, as part of the enabling ordinance, require the submission of other relevant information from the associations.

Sec. 11. Minnesota Statutes 1998, section 428A.21, is amended to read:

428A.21 [SUNSET.]

No new housing improvement areas may be established under sections 428A.11 to 428A.20 after June 30, ~~2001~~ 2005. After June 30, ~~2001~~ 2005, a city may establish a housing improvement area, provided that it receives enabling legislation authorizing the establishment of the area.

Sec. 12. Minnesota Statutes 1998, section 469.115, is amended to read:

469.115 [POWERS OF AGENCIES.]

A local agency shall have all the powers necessary or convenient to carry out the purposes of sections 469.109 to 469.123; except that the agencies shall not levy and collect taxes or special assessments, nor exercise the power of eminent domain unless the governing body of the municipality or municipalities, in the case of a joint exercise of power, shall by resolution have expressly conferred that power on the agency. A local agency shall also have the following powers in addition to others granted in sections 469.109 to 469.123:

(1) to sue and be sued, to have a seal, which shall be judicially noticed, and to alter the same at pleasure; to have perpetual succession; and to make, amend, and repeal rules and regulations not inconsistent with these sections;

(2) to employ an executive director, technical experts, and officers, agents and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal service it may require, to call upon the chief law officer of the municipality or to employ its own counsel and legal staff; so far as practical, to use the services of local public bodies, in its area of operation. Those local bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) upon proper application by a public body or private applicant, and after determining that the purpose of sections 469.109 to 469.123 will be accomplished by the establishment of the project in the redevelopment area to approve a redevelopment project;

(5) to sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein, and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation to acquire real or personal property or any interest therein by gift, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise. An agency may acquire real property which it deems necessary for its purposes by exercise of the power of eminent domain in the manner provided in chapter 117, after adoption of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.111, subdivision 1;

(7) to designate redevelopment areas;

(8) to cooperate with industrial development corporations, state and federal agencies, and private persons or corporations in efforts to promote the expansion of recreational, commercial, industrial, and manufacturing activity in a redevelopment area;

(9) upon proper application by any public body or private applicant, to determine whether the declared public purpose of these sections has been accomplished or will be accomplished by the establishment of a redevelopment project in a redevelopment area;

(10) to obtain information necessary to the designation of a redevelopment area and the establishment of a redevelopment project therein;

(11) to cooperate with or act as agent for the federal government, the state, or any state public body or any agency or instrumentality thereof in carrying out the provisions of these sections or of any other related federal, state, or local legislation;

(12) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal or state government to accomplish the purposes of sections 469.109 to 469.123;

(13) ~~to conduct mined underground space development pursuant to sections 469.135 to 469.141;~~

~~(14)~~ (14) to include in any contract for financial assistance with the federal government any conditions which the federal government may attach to its financial aid of a redevelopment project;

~~(15)~~ (14) to issue bonds, notes, or other evidences of indebtedness as hereinafter provided, for any of its purposes and to secure them by mortgages upon property held or to be held by it, or by pledge of its revenues, including grants or contributions; and

~~(16)~~ (15) to invest any funds held in reserve or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control.

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

Sec. 13. Minnesota Statutes 1998, section 469.174, subdivision 9, is amended to read:

Subd. 9. [TAX INCREMENT FINANCING DISTRICT.] "Tax increment financing district" or "district" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, ~~mined underground space development~~, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

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

Sec. 14. Minnesota Statutes 1998, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (h).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

EFFECTIVE DATE: This section is effective for districts or additions to the geographic area of an existing district for which the request for certification was received by the county auditor after June 30, 2000.

Sec. 15. Minnesota Statutes 1998, section 469.174, subdivision 11, is amended to read:

Subd. 11. [HOUSING DISTRICT.] "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts. A project district does not qualify as a housing district under this subdivision if the fair market value

of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value. Housing project means a project, or a portion of a project, that meets all of qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

EFFECTIVE DATE: This section is effective for districts and amendments adding geographic area to an existing district for which the request for certification was filed with the county after May 1, 1988.

Sec. 16. Minnesota Statutes 1998, section 469.174, subdivision 12, is amended to read:

Subd. 12. [ECONOMIC DEVELOPMENT DISTRICT.] "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, not meeting the requirements found in the definition of redevelopment district, renewal and renovation district, soils condition district, ~~mined underground space development district~~, or housing district, but which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or

(2) it will result in increased employment in the state; or

(3) it will result in preservation and enhancement of the tax base of the state.

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

Sec. 17. Minnesota Statutes 1998, section 469.174, subdivision 14, is amended to read:

Subd. 14. [ADMINISTRATIVE EXPENSES.] "Administrative expenses" means all expenditures of an authority other than:

(1) amounts paid for the purchase of land ~~or~~;

(2) amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the ~~district~~; project;

(3) relocation benefits paid to or services provided for persons residing or businesses located in the ~~district~~; or project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

For districts for which the requests for certifications were made before August 1, 1979, or after June 30, 1982, "administrative expenses" includes amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants.

EFFECTIVE DATE: This section is effective for all tax increment financing districts, regardless of when the request for certification was made.

Sec. 18. Minnesota Statutes 1998, section 469.174, subdivision 22, is amended to read:

Subd. 22. [TOURISM FACILITY.] "Tourism facility" means property that:

(1) is located in a county where the median income is no more than 85 percent of the state median income;

(2) is located in a county in which, ~~excluding the cities of the first class in that county, the earnings on tourism-related activities are 15 percent or more of the total earnings in the county~~ development region 2, 3, 4, or 5, as defined in section 462.385;

(3) ~~is located outside the metropolitan area defined in section 473.121, subdivision 2;~~

(4) is not located in a city with a population in excess of 20,000; and

(5) (4) is acquired, constructed, or rehabilitated for use as a convention and meeting facility that is privately owned, amusement park, recreation facility, cultural facility, marina, park, hotel, motel, lodging facility, or nonhomestead dwelling unit that in each case is intended to serve primarily individuals from outside the county.

EFFECTIVE DATE: This section is effective for districts for which the request for certification was received by the county auditor after June 30, 2000, but the new clause (4) does not apply to (1) expenditures made under a binding contract entered before January 1, 2000; or (2) expenditures made under a binding contract entered pursuant to a letter of intent with the developer or contractor if the letter of intent was entered before January 1, 2000.

Sec. 19. Minnesota Statutes 1998, section 469.175, subdivision 1a, is amended to read:

Subd. 1a. [INCLUSION OF COUNTY ROAD COSTS.] (a) The county board may require the authority to pay all or a portion of the cost of county road improvements out of increment revenues, if the following conditions occur:

(1) the proposed tax increment financing plan or an amendment to the plan contemplates construction of a development that will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs; and

(2) the road improvements or other road costs are not scheduled for construction within five years under the county capital improvement plan or ~~other~~ within five years under another formally adopted county plan, and in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the tax increment financing plan were not implemented.

(b) If the county elects to use increments to finance the road improvements, the county must notify the authority and municipality within ~~30~~ 45 days after receipt of the ~~information on the~~ proposed tax increment district financing plan under subdivision 2. The notice must include the estimated cost of the road improvements and schedule for construction and payment of the cost. The authority must include the improvements in the tax increment financing plan. The improvements may be financed with the proceeds of tax increment bonds or the authority and the county may agree that the county will finance the improvements with county funds to be repaid in installments, with or without interest, out of increment revenues. If the cost of the road improvements and other project costs exceed the projected amount of the increment revenues, the county and authority shall negotiate an agreement, modifying the development plan or proposed road improvements that will permit financing of the costs before the tax increment financing plan may be approved.

EFFECTIVE DATE: This section, paragraph (a), is effective for districts or expansions of the geographic area of districts, for which certification is requested after the day following final enactment of this act.

This section, paragraph (b), is effective for tax increment financing plans or amendments to plans approved after July 1, 2000.

Sec. 20. Minnesota Statutes 1998, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] Before formation of a tax increment financing district, the authority shall provide ~~an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority.~~ The authority shall present to the members of the county boards of commissioners and the school boards its the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the authority's estimate of the fiscal and economic implications of the proposed tax increment financing district. The authority must provide the proposed tax increment financing plan and the information on the fiscal and economic implications of the plan ~~must be provided~~ to the county auditor and the clerk of the school district ~~boards board~~ at least 30 days before the public hearing required by subdivision 3. The information on the fiscal and economic implications may be included in or as part of the tax increment financing plan. The county auditor and clerk of the school board shall provide copies to the members of the boards, as directed by their respective boards. The 30-day requirement is waived if the boards of the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information. ~~The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3.~~ Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of revenue. The authority must also file with the commissioner a copy of the development plan for the project area.

EFFECTIVE DATE: This section is effective for tax increment financing plans approved after July 1, 2000.

Sec. 21. Minnesota Statutes 1998, section 469.175, subdivision 2a, is amended to read:

Subd. 2a. [HOUSING DISTRICTS; REDEVELOPMENT DISTRICTS.] In the case of a proposed housing district or redevelopment district, in addition to the requirements of subdivision 2, at least 30 days before the publication of the notice for public hearing under subdivision 3, the authority shall deliver written notice of the proposed district to each county commissioner who represents part of the area proposed to be included in the district. The notice must contain a general description of the boundaries of the proposed district and the proposed activities to be financed by the district, an offer by the authority to meet and discuss the proposed district with the county commissioner, and a solicitation of the commissioner's comments with respect to the district. The commissioner may waive the 30-day requirement by submitting written comments on the proposal and any modification of the proposal to the authority after receipt of the information.

EFFECTIVE DATE: This section is effective for tax increment financing districts for which the requests for certification is made after May 31, 1993.

Sec. 22. Minnesota Statutes 1998, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, ~~a mined underground space development district~~, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this clause do not apply if the district is a qualified housing district, as defined in section 273.1399, subdivision 1.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, ~~or the plan shall be deemed approved~~. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

EFFECTIVE DATE: This section is effective for tax increment financing plans approved after June 30, 2000.

Sec. 23. Minnesota Statutes 1998, section 469.175, subdivision 5, is amended to read:

Subd. 5. [ANNUAL DISCLOSURE.] ~~(a) The authority shall annually submit to the county board, the county auditor, the school board, state auditor and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district and any subdistrict, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. The authority must submit the annual report for a year on or before August 1 of the next year.~~

~~(b) An annual statement showing the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, the amount of the district's and any subdistrict's increments paid to other governmental bodies, the amount paid for administrative costs, the sum of increments paid, directly or indirectly, for activities and improvements located outside of the district, for each district the information required to be reported under subdivision 6, paragraph (c), clauses (1), (2), (3), (11), (12), (20), and (21); the amounts of tax increment received and expended in the reporting period; and any additional information the authority deems necessary shall must be published in a newspaper of general circulation in the municipality that approved the tax increment financing plan. If the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the annual statement must disclose that fact~~

and indicate the amount of increased property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution. ~~The commissioner of revenue shall prescribe the form of this statement and the method for calculating the increased property taxes. The annual statement must inform readers that additional information regarding each district may be obtained from the authority, and must explain how the additional information may be requested.~~ The authority must publish the annual statement for a year no later than August 15 of the next year. The authority must identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the county board, the county auditor, the school board, the state auditor, and, if the authority is other than the municipality, the governing body of the municipality on or before August 1 of the year in which the statement must be published.

(c) The disclosure ~~and reporting~~ requirements imposed by this subdivision apply to districts certified before, on, or after August 1, 1979.

EFFECTIVE DATE: This section is effective for reports due in 2001 and subsequent years.

Sec. 24. Minnesota Statutes 1998, section 469.175, subdivision 6, is amended to read:

Subd. 6. [ANNUAL FINANCIAL REPORTING.] (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

- (1) provide for full disclosure of the sources and uses of public funds in the district;
- (2) permit comparison and reconciliation with the affected local government's accounts and financial reports;
- (3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;
- (4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county ~~and school district boards~~ auditor and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

- (1) the original net tax capacity of the district and any subdistrict under section 469.177, subdivision 1;
- (2) the net tax capacity for the reporting period of the district and any subdistrict;
- ~~(3) the captured net tax capacity of the district, including the amount of any captured net tax capacity shared with other taxing districts;~~
- ~~(4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;~~
- (5) the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1);

(6) any captured net tax capacity distributed among affected taxing districts under section 469.177, subdivision 2, paragraph (a), clause (2);

(7) the type of district;

(8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);

(9) the date the authority first requested certification of the original net tax capacity of the district and the date of the request for certification regarding any parcel added to the district;

(10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;

(11) the month and year in which the authority has received or anticipates it will receive the first increment from the district;

(12) the date the district must be decertified;

(13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:

(i) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;

(ii) tax increments that are interest or other investment earnings on or from tax increments;

(iii) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;

(iv) tax increments that are repayments of loans or other advances made by the authority with tax increments;

(v) bond or loan proceeds;

(vi) special assessments;

(vii) grants; and

(viii) transfers from funds not exclusively associated with the district;

(14) for the reporting period and for the duration prior years of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority;

(v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; and

(vi) transfers to funds not exclusively associated with the district;

~~(4) (15) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer; and~~

~~(5) the amount of increments rebated or paid to developers or property owners for privately financed improvements or other qualifying costs.~~

(16) the amount of any payments and the value of any in-kind benefits, such as physical improvements and the use of building space, that are paid or financed with tax increments and are provided to another governmental unit other than the municipality during the reporting period;

(17) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;

(18) the amount of payments of principal and interest that are made during the reporting period on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(19) the principal amount, at the end of the reporting period, of any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(20) the amount of principal and interest payments that are due for the current calendar year on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(21) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the amount of increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution;

(22) whether the tax increment financing plan or other governing document permits increment revenues to be expended:

(i) to pay bonds, the proceeds of which were or may be expended on activities outside of the district;

(ii) for deposit into a common bond fund from which money may be expended on activities located outside of the district; or

(iii) to otherwise finance activities located outside of the tax increment financing district; and

(23) any additional information the state auditor may require.

(d) The commissioner of revenue shall prescribe the method of calculating the increased property taxes under paragraph (c), clause (21), and the form of the statement disclosing this information on the annual statement under subdivision 5.

(e) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

EFFECTIVE DATE: This section is effective for reports due in 2001 and subsequent years.

Sec. 25. Minnesota Statutes 1998, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. [DURATION LIMITS; TERMS.] (a) No tax increment shall in any event be paid to the authority

~~(1) after 25 years from date of receipt by the authority of the first tax increment for a mined underground space development district,~~

~~(2) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,~~

~~(3) (2) after 20 years after receipt by the authority of the first increment for a soils condition district,~~

~~(4) (3) after nine eight years from the date of the after receipt, or 11 years from approval of the tax increment financing plan, whichever is less, by the authority of the first increment for an economic development district,~~

~~(5) (4) for a housing district or a redevelopment district, after 20 years from the date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section 469.175, subdivision 1, paragraph (b), after 25 years from the date of receipt by the authority of the first increment.~~

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

(c) Except as authorized by section 469.175, subdivision 1, paragraph (b), an action by the authority to waive or decline to accept an increment has no effect for purposes of computing a duration limit based on the receipt of increment under this subdivision or any other provision of law. The authority is deemed to have received an increment for any year in which it waived or declined to accept an increment, regardless of whether the increment was paid to the authority.

EFFECTIVE DATE: This section is effective for districts for which the request for certification was received by the county auditor after June 30, 2000, and does not apply to amendments adding geographic area to a district for which the request for certification was received before July 1, 2000.

Sec. 26. Minnesota Statutes 1998, section 469.176, is amended by adding a subdivision to read:

Subd. 4k. [ASSISTING HOUSING OUTSIDE PROJECT AREA.] Notwithstanding the definition of a project under section 469.174, increments may be spent to assist housing that meets the requirements under section 469.1763, subdivision 2, paragraph (d), regardless of whether the housing is located within the boundaries of the project area.

EFFECTIVE DATE: This section is effective for increments spent after July 1, 2000, from districts for which certification was requested after May 1, 1990.

Sec. 27. Minnesota Statutes 1998, section 469.1761, subdivision 4, is amended to read:

Subd. 4. [NONCOMPLIANCE; ENFORCEMENT.] Failure to comply with the requirements of this section results in application of the duration limits for economic development districts to the district. ~~If at the time of the noncompliance the district has exceeded the duration limits for an economic development district, the district must be decertified effective for taxes assessed in the next calendar year. The commissioner of revenue shall enforce the provisions of this section is subject to section 469.1771. The commissioner may waive insubstantial violations. Appeal of the commissioner's orders of noncompliance must be made to the tax court in the manner provided in section 271.06.~~

EFFECTIVE DATE: This section is effective for violations occurring after July 1, 2000.

Sec. 28. Minnesota Statutes 1998, section 469.1763, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax increment financing district, an amount equal to at least 75 percent of the revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing.

EFFECTIVE DATE: This section is effective for increments spent after July 1, 2000, from districts for which certification was requested after May 1, 1990.

Sec. 29. Minnesota Statutes 1998, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL NET TAX CAPACITY.] (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

~~(b) In the case of a mined underground space development district the county auditor shall certify the original net tax capacity as zero, plus the net tax capacity, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04.~~

~~(c)~~ (e) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

~~(d)~~ (c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

~~(e)~~ (d) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

~~(f) Each year the auditor shall also add to the original net tax capacity of each economic development district an amount equal to the original net tax capacity for the preceding year multiplied by the average percentage increase in the market value of all property included in the economic development district during the five years prior to certification of the district. In computing the average percentage increase in market value, the auditor shall exclude the market value, as estimated by the assessor, that is attributable to new construction; extension of sewer, water, roads, or other public utilities; or platting of the land.~~

~~(g)~~ (e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor

or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

EFFECTIVE DATE: This section is effective for districts for which the request for certification was received by the county auditor after June 30, 2000, and does not apply to amendments adding geographic area to a district for which the request for certification was received before July 1, 2000.

Sec. 30. Minnesota Statutes 1999 Supplement, section 469.1771, subdivision 1, is amended to read:

Subdivision 1. [ENFORCEMENT.] (a) The owner of taxable property located in the city, town, school district, or county in which the tax increment financing district is located may bring suit for equitable relief or for damages, as provided in subdivisions 2, 3, and 4, arising out of a failure of a municipality or authority to comply with the provisions of sections 469.174 to 469.179, or related provisions of this chapter. The prevailing party in a suit filed under the preceding sentence is entitled to costs, including reasonable attorney fees.

(b) The state auditor may examine and audit political subdivisions' use of tax increment financing. Without previous notice, the state auditor may examine or audit accounts and records on a random basis as the auditor deems to be in the public interest. If the state auditor finds evidence that an authority or municipality has violated a provision of the law for which a remedy is provided under this section, the state auditor shall forward the relevant information to the county attorney. The county attorney may bring an action to enforce the provisions of sections 469.174 to 469.179 or related provisions of this chapter, for matters referred by the state auditor or on behalf of the county. If the county attorney determines not to bring an action or if the county attorney has not brought an action within 12 months after receipt of the initial notification by the state auditor of the violation, the county attorney shall notify the state auditor in writing.

(c) If the state auditor finds an authority is not in compliance with sections 469.174 to 469.179 or related provisions of law, the auditor shall notify the governing body of the municipality that approved the tax increment financing district of its findings. The governing body of the municipality must respond in writing to the state auditor within 60 days after receiving the notification. Its written response must state whether the municipality accepts, in whole or part, the auditor's findings. If the municipality does not accept the findings, the statement must indicate the basis for its disagreement. The state auditor shall annually summarize the responses it receives under this section and send the summary and copies of the responses to the chairs of the committees of the legislature with jurisdiction over tax increment financing.

(d) The state auditor shall notify the attorney general in writing and provide supporting materials for a violation found by the auditor, if the:

(1) auditor receives notification from the county attorney under paragraph (b) or receives no notification for a 12-month period after initially notifying the county attorney and the state auditor confirms with the county attorney or the municipality that no action has been brought regarding the matter; and

(2) municipality or development authority have not eliminated or resolved the violation to the satisfaction of the state auditor.

The auditor shall provide the municipality and development authority a copy of the notification sent to the attorney general.

EFFECTIVE DATE: This section is effective for violations occurring after the date of final enactment.

Sec. 31. Minnesota Statutes 1998, section 469.1771, subdivision 2a, is amended to read:

Subd. 2a. [SUSPENSION OF DISTRIBUTION OF TAX INCREMENT.] (a) If an authority fails to make a disclosure or to submit a report containing the information required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, ~~or if a municipality fails to submit a report containing the information required of section 469.175, subdivision 6a, regarding a tax increment financing district within the time provided in section 469.175, subdivision 6a,~~ the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice must describe the consequences of failing to disclose or submit a report as provided in paragraph (b). If the state auditor has not received a copy of a disclosure or a report described in this paragraph on or before the third Tuesday of November of the year in which the disclosure or report was required to be made or submitted, the state auditor shall mail a written notice to the county auditor to hold the distribution of tax increment from a particular district.

(b) Upon receiving written notice from the state auditor to hold the distribution of tax increment, the county auditor shall hold:

(1) 25 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after the third Friday in November but during the year in which the disclosure or report was required to be made or submitted; or

(2) 100 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after December 31 of the year in which the disclosure or report was required to be made or submitted.

(c) Upon receiving the copy of the disclosure and all of the reports described in paragraph (a) with respect to a district regarding which the state auditor has mailed to the county auditor a written notice to hold distribution of tax increment, the state auditor shall mail to the county auditor a written notice lifting the hold and authorizing the county auditor to distribute to the authority or municipality any tax increment that the county auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice required by this paragraph within five working days after receiving the last outstanding item. The county auditor shall distribute the tax increment to the authority or municipality within 15 working days after receiving the written notice required by this paragraph.

(d) Notwithstanding any law to the contrary, any interest that accrues on tax increment while it is being held by the county auditor pursuant to paragraph (b) is not tax increment and may be retained by the county.

(e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered distributed to or received by the authority or municipality as of the time that it would have been distributed or received but for paragraph (b).

EFFECTIVE DATE: This section is effective for reports due in 2001 and later years.

Sec. 32. Minnesota Statutes 1998, section 469.1771, is amended by adding a subdivision to read:

Subd. 4a. [INCREMENTS RECEIVED AFTER DURATION LIMIT.] (a) This subdivision applies to payments made by the county auditor as tax increments that:

(1) were received by the authority before July 1, 2000, for a tax increment financing district after the maximum duration limit for the district; and

(2) were not permitted to be made under section 469.176, subdivision 1f, or any other provision of law as tax increments after the duration limit for the district.

(b) The authority or the municipality may enter an agreement with the county to repay these amounts in installments, without interest, over a period not to exceed three years.

(c) If a repayment agreement is entered or the authority or municipality otherwise voluntarily repays these amounts, then distributions of these repayments under subdivision 5 must be made to each of the taxing jurisdictions, including the municipality.

EFFECTIVE DATE: This section is effective the day following final enactment and applies to tax increment financing districts, regardless of whether the request for certification was made before, on, or after August 1, 1979.

Sec. 33. Minnesota Statutes 1999 Supplement, section 469.1813, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] The governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

(a) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase, as provided in clause (b)(7); and

(b) it finds that doing so is in the public interest because it will:

(1) increase or preserve tax base;

(2) provide employment opportunities in the political subdivision;

(3) provide or help acquire or construct public facilities;

(4) help redevelop or renew blighted areas;

(5) help provide access to services for residents of the political subdivision; or

(6) finance or provide public infrastructure; or

(7) phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel.

EFFECTIVE DATE: This section is effective beginning with taxes payable in 2001.

Sec. 34. Minnesota Statutes 1998, section 469.1813, subdivision 4, is amended to read:

Subd. 4. [PROPERTY LOCATED IN TAX INCREMENT FINANCING DISTRICTS.] The governing body of a governmental political subdivision may not enter into a property tax abatement agreement under sections 469.1812 to 469.1815 if the property that provides for abatement of taxes on a parcel, if the abatement will occur while the parcel is located in a tax increment financing district.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and later years.

Sec. 35. Minnesota Statutes 1999 Supplement, section 469.1813, subdivision 6, is amended to read:

Subd. 6. [DURATION LIMIT.] (a) A political subdivision may grant an abatement for a period no longer than ten years, except as provided under paragraph (b). The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement.

(b) A political subdivision proposing to abate taxes for a parcel may request, in writing, that the other political subdivisions in which the parcel is located grant an abatement for the property. If one of the other political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel is increased to 15 years. If the political subdivision which declined to grant an abatement later grants an abatement for the parcel, the 15-year duration limit is reduced by one year for each year that the declining political subdivision grants an abatement for the parcel during the period of the abatement granted by the requesting political subdivision. The duration limit may not be reduced below the limit under paragraph (a).

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 36. Laws 1997, chapter 231, article 1, section 19, is amended by adding a subdivision to read:

Subd. 2a. [DEFINITION OF INCREMENT.] For purposes of this section, "tax increments" and "revenues derived from tax increments" have the meaning given in Minnesota Statutes, section 469.174, subdivision 25, except that the definition applies to all tax increment financing districts, regardless of when the request for certification was made and regardless of when the revenues were received, notwithstanding the effective date of Minnesota Statutes, section 469.174, subdivision 25.

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

Sec. 37. [BROOKLYN PARK EDA; TIF DISTRICT NO. 18.]

The 1998 amendments to Minnesota Statutes, section 469.176, subdivision 7, as set forth in Laws 1998, chapter 389, article 11, section 6, apply to the Brooklyn Park economic development authority's tax increment financing district No. 18, notwithstanding the effective date of the amendments.

EFFECTIVE DATE: This section is effective the day after the governing body of the city of Brooklyn Park and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 38. [CITY OF FOUNTAIN; TIF DURATION EXTENSION.]

The governing body of the city of Fountain may extend the duration of tax increment financing district 1-1 through December 31, 2008, notwithstanding the provision of Minnesota Statutes, section 469.176, subdivision 1b. The extension under this section is intended to correct an error in calculation of the increment after a division of a parcel in the tax increment financing district. As a result, the provisions of Minnesota Statutes, section 469.1782, subdivision 1, do not apply to the district.

EFFECTIVE DATE: This section is effective the day after the governing bodies of the city, county, and school district, and their chief clerical officers, timely complete their compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

Sec. 39. [MENDOTA HEIGHTS TAX INCREMENT FINANCING DISTRICT; CONTINUATION.]

Notwithstanding the provisions of Minnesota Statutes, section 469.1764, or any other law, tax increment financing district No. 1 established by the city of Mendota Heights in 1981 shall continue in effect for its original authorized duration, subject to the condition that, except for expenditures to pay preexisting obligations described in Minnesota Statutes, section 469.1764, subdivision 5, paragraphs (b) and (c), all future expenditures of tax increment shall not exceed \$4,500,000 and shall be limited to the city's freeway road project substantially as described in the city's application for a grant from the livable communities demonstration account of the metropolitan livable communities fund.

EFFECTIVE DATE: This section is effective the day after approval by the governing body of the city of Mendota Heights and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. [ST. PAUL HOUSING AND REDEVELOPMENT AUTHORITY; HOUSING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The governing body of the housing and redevelopment authority of the city of St. Paul may create a tax increment financing housing district as provided in this section for a development containing both owner-occupied and residential rental units for mixed income occupancy.

Subd. 2. [AREA.] The housing district authorized in this section may only be created in the northeast quadrant of downtown St. Paul, which is defined as the approximately 15-acre area bounded by Interstate 94 on the north and east, Jackson Street on the west, and Seventh Street on the south, together with the west side of Jackson Street to midblock between Interstate 94 and Seventh Street.

Subd. 3. [INCOME REQUIREMENTS FOR COMBINED OWNER-OCCUPIED AND RESIDENTIAL RENTAL DEVELOPMENT.] (a) Notwithstanding the income requirements in Minnesota Statutes, section 469.174, subdivision 11, or 469.1761, a housing district in the northeast quadrant means a type of tax increment financing district that consists of a project, or a portion of a project, intended for occupancy, in part, by persons of low and moderate income as defined in chapter 462A, Title II, of the National Housing Act of 1934; the National Housing Act of 1959; the United States Housing Act of 1937, as amended; Title V of the Housing Act of 1949, as amended; any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, as further set forth in this section. Twenty percent of the units in the development in the housing district must be occupied by individuals whose family income is equal to or less than 50 percent of area median gross income and an additional 60 percent of the units in the development in the housing district must be occupied by individuals whose family income is equal to or less than 115 percent of area median gross income. Twenty percent of the units in the development in the housing district shall not be subject to any income limitations.

(b) For purposes of this section, family income means the median gross income for the area as determined under section 42 of the Internal Revenue Code of 1986, as amended. The income requirements of this subdivision shall be deemed to be satisfied if the sum of qualified owner-occupied units and qualified residential rental units equals the required total number of qualified units. Owner-occupied units must be initially purchased and occupied by individuals whose family income satisfies the income requirements of this subdivision. For residential rental property, the income requirements of this subdivision apply for the duration of the tax increment district.

(c) The development in the housing district, but not the project, does not qualify under this subdivision if the fair market value of the improvements which are constructed for commercial uses or for uses other than owner-occupied and rental mixed-income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value.

EFFECTIVE DATE: This section is effective the day after the governing body of the city of St. Paul and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 41. [WINONA TAX INCREMENT FINANCING DISTRICT; RATIFICATION OF EXPENDITURE.]

For tax increment financing district No. 2, approved by the city of Winona on August 1, 1980, the expenditure of tax increments before January 1, 1998, to finance, in part, the construction of improvements to the existing municipal wastewater treatment plant is ratified and deemed an expenditure within the geographic area of the tax increment financing district, and Minnesota Statutes, section 469.1764, does not apply to the tax increment financing district.

EFFECTIVE DATE: This section is effective upon approval by the Winona city council and compliance with Minnesota Statutes, section 645.021.

Sec. 42. [REDEVELOPMENT GRANTS; RICHFIELD.]

(a) For fiscal year 2001, \$5,000,000 is appropriated from the general fund to the commissioner of trade and economic development for a redevelopment grant or grants to the city of Richfield under Minnesota Statutes, sections 116J.561 to 116J.566.

(b) Grants made under this authority may only be used for acquisition and site preparation of residential property in the city of Richfield, located within an area consisting of no more than two blocks immediately to the west of trunk highway 77, bounded on the north by trunk highway 62 and on the south by 77th street. A property qualifies as a residential property only if the land is improved with a building and at least 75 percent of the square footage of the building is for single family or multiunit residential uses.

(c) For purposes of this grant, the local match requirement under Minnesota Statutes, section 116J.566, and the requirements to repay sales proceeds under section 116J.567, do not apply.

(d) The city of Richfield must submit a report to the chairs of the tax committees of the house of representatives and senate by no later than December 15, 2000, on the redevelopment plans. This report must include details on the plans for and, to the extent available, the actual use of the grant money, including, but not limited to, information on:

- (1) residential units purchased or to be purchased, by location and type of unit;
- (2) the cost of acquisition or the estimated cost of acquisition of the units;
- (3) the cost of demolition or relocation of buildings, including any offsetting savings from buildings to be relocated or other salvage;
- (4) the cost of relocation of utilities;
- (5) the cost of any other site preparation for development;
- (6) plans for sale and use of the cleared land, including estimates of the value of the land after clearance and site preparation; and
- (7) the plans for the ultimate use of the properties acquired or to be acquired.

Sec. 43. [MINNESOTA MINERALS 21ST CENTURY FUND.]

Subdivision 1. [TRANSFER.] \$30,000,000 is appropriated in fiscal year 2001 from the general fund for transfer to the Minnesota Minerals 21st Century Fund.

Subd. 2. [INFRASTRUCTURE MUST BE MADE AVAILABLE.] Any entity controlling the infrastructure created by an investment from the Minnesota Minerals 21st Century Fund from money transferred under this section shall make the infrastructure available to be utilized by other businesses or public authorities at costs reasonably designed to meet operating and maintenance needs of the infrastructure. The utilization of this infrastructure by others only pertains to the infrastructure capacity not needed by the primary recipient of the investments by the Minnesota Minerals 21st Century Fund.

Sec. 44. [REPEALER.]

(a) Minnesota Statutes 1998, sections 469.055, subdivision 5; 469.101, subdivision 21; 469.135; 469.136; 469.137; 469.138; 469.139; 469.140; 469.174, subdivision 13; and 469.176, subdivision 4a, are repealed.

(b) Minnesota Statutes 1998, section 469.175, subdivision 6a, is repealed.

EFFECTIVE DATE: Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for reports due beginning in 2001.

ARTICLE 12

FEDERAL UPDATE

Section 1. Minnesota Statutes 1999 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

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

Sec. 2. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

- (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;
- (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and
- (3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provisions of sections 1305, 1704(r), and 1704(c)(1) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 975 and 1604(d)(2) and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, and the provisions of section 4004 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277 shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of section 1604(a)(1), (2), and (3) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992:

The provisions of sections ~~13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321~~ of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, the provisions of sections ~~1703(a), 1703(d), 1703(i), 1703(l), and 1703(m)~~ of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section ~~1604(c)~~ of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes:

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993:

The provision of section ~~741~~ of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, the provisions of sections ~~1, 2, and 3~~, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the provision of section ~~501(b)(2)~~ of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, the provisions of sections ~~1604 and 1704(p)(1) and (2)~~ of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections ~~1011, 1211(b)(1), and 1602(f)~~ of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes:

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994:

The provisions of sections ~~1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805~~ of the Small Business Job Protection Act, Public Law Number 104-188, the provision of section ~~511~~ of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections ~~1174 and 1601(i)(2)~~ of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes:

The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995:

The provisions of sections ~~1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m)~~ of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, the provisions of sections ~~313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1)~~ of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section ~~6010~~ of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section ~~4003~~ of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996:

The provisions of sections ~~202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)~~ of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of sections ~~6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003~~ of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, ~~and~~ the provisions of section ~~3001~~ of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, ~~and~~ the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, and the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 160-170, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999.

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

EFFECTIVE DATE: This section is effective the day following final enactment except that the striking of text is effective for taxable years beginning after December 31, 1999.

Sec. 3. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

EFFECTIVE DATE: This section is effective for tax years beginning after December 31, 1999.

Sec. 4. Minnesota Statutes 1999 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

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

Sec. 5. Minnesota Statutes 1999 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

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

ARTICLE 13

MISCELLANEOUS

Section 1. Minnesota Statutes 1998, section 8.30, is amended to read:

8.30 [COMPROMISE OF TAX AND FEE CLAIMS.]

Notwithstanding any other provisions of law to the contrary, the attorney general shall have authority to compromise taxes, fees, surcharges, assessments, penalties, and interest in any case referred to the attorney general by the commissioner of revenue, whether reduced to judgment or not, where, in the attorney general's opinion, it shall be in the best interests of the state to do so. ~~Such a compromise of a tax debt shall~~ must be in such a form as prescribed by the attorney general ~~shall prescribe~~ and shall be in writing signed by the attorney general, the taxpayer or taxpayer's representative, and the commissioner of revenue.

EFFECTIVE DATE: This section is effective for compromises entered into after the date of final enactment.

Sec. 2. Minnesota Statutes 1998, section 16A.46, is amended to read:

16A.46 [LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.]

The commissioner may issue a duplicate to an owner if the loss or destruction of an unpaid warrant is documented by affidavit. When the duplicate is issued, the original is void. The commissioner may require an indemnity bond from the applicant to the state for double the amount of the warrant for anyone damaged by the issuance of the duplicate. The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith the commissioner is not liable, whether the application is granted or denied. For an unpaid refund or rebate issued under a tax law administered by the commissioner of revenue that has been lost or destroyed, an affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued to the same name and social security number as the original warrant and that information is verified on a tax return filed by the recipient.

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

Sec. 3. Minnesota Statutes 1999 Supplement, section 16D.09, subdivision 2, is amended to read:

Subd. 2. [NOTIFICATION OF ACTION BY DEPARTMENT OF REVENUE.] When the department of revenue has determined that a debt is uncollectible and has written off that debt as provided in subdivision 1, the commissioner of revenue must make a reasonable attempt to notify the debtor of that action and of the release of any

liens imposed under section 270.69 related to that debt, within 30 days after the determination has been reported to the commissioner of finance. A lien imposed under section 270.69 need not be released unless after the write-off of uncollectible debt there is no remaining collectible liability recorded on the lien.

EFFECTIVE DATE: This section is effective for debts written off on or after the day following final enactment.

Sec. 4. Minnesota Statutes 1999 Supplement, section 168.012, subdivision 1, is amended to read:

Subdivision 1. [VEHICLES EXEMPT FROM TAX AND REGISTRATION FEES.] (a) The following vehicles are exempt from the provisions of this chapter requiring payment of tax and registration fees, except as provided in subdivision 1c:

(1) vehicles owned and used solely in the transaction of official business by the federal government, the state, or any political subdivision;

(2) vehicles owned and used exclusively by educational institutions and used solely in the transportation of pupils to and from such institutions;

(3) vehicles used solely in driver education programs at nonpublic high schools;

(4) vehicles owned by nonprofit charities and used exclusively to transport disabled persons for educational purposes;

(5) vehicles owned and used by honorary consul;

(6) ambulances owned by ambulance services licensed under section 144E.10, the general appearance of which is unmistakable; and

(7) vehicles owned by a commercial driving school licensed under section 171.34, or an employee of a commercial driving school licensed under section 171.34, and the vehicle is used exclusively for driver education and training.

(b) Vehicles owned by the federal government, municipal fire apparatuses including fire-suppression support vehicles, police patrols and ambulances, the general appearance of which is unmistakable, shall not be required to register or display number plates.

(c) Unmarked vehicles used in general police work, liquor investigations, arson investigations, and passenger automobiles, pickup trucks, and buses owned or operated by the department of corrections shall be registered and shall display appropriate license number plates which shall be furnished by the registrar at cost. Original and renewal applications for these license plates authorized for use in general police work and for use by the department of corrections must be accompanied by a certification signed by the appropriate chief of police if issued to a police vehicle, the appropriate sheriff if issued to a sheriff's vehicle, the commissioner of corrections if issued to a department of corrections vehicle, or the appropriate officer in charge if issued to a vehicle of any other law enforcement agency. The certification must be on a form prescribed by the commissioner and state that the vehicle will be used exclusively for a purpose authorized by this section.

(d) Unmarked vehicles used by the departments of revenue and labor and industry, fraud unit, in conducting seizures or criminal investigations must be registered and must display passenger vehicle classification license number plates which shall be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of revenue or the commissioner of labor and industry. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the purposes authorized by this section.

(e) Unmarked vehicles used by the division of disease prevention and control of the department of health must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be

accompanied by a certification signed by the commissioner of health. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the division of disease prevention and control.

(f) All other motor vehicles shall be registered and display tax-exempt number plates which shall be furnished by the registrar at cost, except as provided in subdivision 1c. All vehicles required to display tax-exempt number plates shall have the name of the state department or political subdivision, nonpublic high school operating a driver education program, or licensed commercial driving school, on the vehicle plainly displayed on both sides thereof in letters not less than 2-1/2 inches high and one-half inch wide; except that each state hospital and institution for the mentally ill and mentally retarded may have one vehicle without the required identification on the sides of the vehicle, and county social service agencies may have vehicles used for child and vulnerable adult protective services without the required identification on the sides of the vehicle. Such identification shall be in a color giving contrast with that of the part of the vehicle on which it is placed and shall endure throughout the term of the registration. The identification must not be on a removable plate or placard and shall be kept clean and visible at all times; except that a removable plate or placard may be utilized on vehicles leased or loaned to a political subdivision or to a nonpublic high school driver education program.

Sec. 5. Minnesota Statutes 1998, section 270.063, is amended by adding a subdivision to read:

Subd. 4. [FEDERAL TAX REFUND OFFSET FEES.] For fees charged by the department of the treasury of the United States for the offset of federal tax refunds that are deducted from the refund amounts remitted to the commissioner, the unpaid debts of the taxpayers whose refunds are being offset to satisfy the debts are reduced only by the actual amount of the refund payments received by the commissioner.

EFFECTIVE DATE: This section is effective for offsets of refunds made on or after the day following final enactment.

Sec. 6. Minnesota Statutes 1999 Supplement, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a liability reported on a return was filed entered into the records of the commissioner or the date a return should have been filed, whichever is later; or, in the case of taxes determined by the commissioner, "date of assessment" means the date of the order assessing taxes or date of the return made by the commissioner; or, in the case of an amended return filed by the taxpayer, the assessment date is the date additional liability reported on the return, if any, was filed with entered into the records of the commissioner; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

EFFECTIVE DATE: This section is effective for assessments made on or after the day following final enactment.

Sec. 7. Minnesota Statutes 1999 Supplement, section 270A.03, subdivision 2, is amended to read:

Subd. 2. [CLAIMANT AGENCY.] "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program.

EFFECTIVE DATE: This section is effective for claims submitted after June 30, 2000.

Sec. 8. Minnesota Statutes 1998, section 270A.03, subdivision 7, is amended to read:

Subd. 7. [REFUND.] "Refund" means an individual income tax refund or political contribution refund, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives subcommittee on claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE: This section is effective for notices provided after June 30, 2000.

Sec. 9. Minnesota Statutes 1998, section 270A.07, subdivision 1, is amended to read:

Subdivision 1. [NOTIFICATION REQUIREMENT.] Any claimant agency, seeking collection of a debt through setoff against a refund due, shall submit to the commissioner information indicating the amount of each debt and information identifying the debtor, as required by section 270A.04, subdivision 3.

For each setoff of a debt against a refund due, the commissioner shall charge a fee of \$10. ~~The claimant agency may add the fee to the amount of the debt.~~

The claimant agency shall notify the commissioner when a debt has been satisfied or reduced by at least \$200 within 30 days after satisfaction or reduction.

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

Sec. 10. Minnesota Statutes 1999 Supplement, section 270A.07, subdivision 2, is amended to read:

Subd. 2. [SETOFF PROCEDURES.] (a) The commissioner, upon receipt of notification, shall initiate procedures to detect any refunds otherwise payable to the debtor. When the commissioner determines that a refund is due to a debtor whose debt was submitted by a claimant agency, the commissioner shall first deduct the fee in subdivision 1 and then remit the refund or the amount claimed, whichever is less, to the agency. In transferring or remitting moneys to the claimant agency, the commissioner shall provide information indicating the amount applied against each debtor's obligation and the debtor's address listed on the tax return.

(b) The commissioner shall remit to the debtor the amount of any refund due in excess of the debt submitted for setoff by the claimant agency. Notice of the amount setoff and address of the claimant agency shall accompany any disbursement to the debtor of the balance of a refund, or shall be sent to the debtor at the time of setoff if the entire refund is set off. The notice shall also advise the debtor of the right to contest the validity of the claim, other than a claim based upon child support under section 518.171, 518.54, 518.551, or chapter 518C at a hearing, subject to the restrictions in this paragraph. The debtor must assert this right by written request to the claimant agency, which request the claimant agency must receive within 45 days of the date of the notice. This right does not apply to (1) issues relating to the validity of the claim that have been previously raised at a hearing under this section or section 270A.09; (2) issues relating to the validity of the claim that were not timely raised by the debtor under section