

STATE OF MINNESOTA

EIGHTY-SEVENTH SESSION — 2011

 FIFTY-EIGHTH DAY

SAINT PAUL, MINNESOTA, TUESDAY, MAY 17, 2011

The House of Representatives convened at 11:00 a.m. and was called to order by Kurt Zellers, Speaker of the House.

Prayer was offered by the Reverend Bill Davnie, Minneapolis, Minnesota.

The members of the House gave the pledge of allegiance to the flag of the United States of America.

The roll was called and the following members were present:

Abeler	Dean	Hansen	Lanning	Murdock	Shimanski
Anderson, B.	Dettmer	Hausman	Leidiger	Murphy, E.	Simon
Anderson, D.	Dill	Hayden	LeMieur	Murphy, M.	Slawik
Anderson, P.	Dittrich	Hilstrom	Lenczewski	Murray	Slocum
Anderson, S.	Doepke	Hilty	Lesch	Myhra	Smith
Anzelc	Downey	Holberg	Liebling	Nelson	Stensrud
Atkins	Drazkowski	Hoppe	Lillie	Nornes	Swedzinski
Banaian	Eken	Hornstein	Loeffler	Norton	Thissen
Barrett	Erickson	Hortman	Lohmer	O'Driscoll	Tillberry
Beard	Fabian	Hosch	Loon	Paymar	Torkelson
Benson, J.	Falk	Howes	Mack	Pelowski	Urdahl
Benson, M.	Franson	Huntley	Mahoney	Peppin	Vogel
Bills	Fritz	Johnson	Mariani	Persell	Wagenius
Brynaert	Garofalo	Kahn	Marquart	Petersen, B.	Ward
Buesgens	Gauthier	Kath	Mazorol	Peterson, S.	Wardlow
Carlson	Gottwalt	Kelly	McDonald	Poppe	Westrom
Champion	Greene	Kieffer	McElfatrick	Quam	Winkler
Clark	Greiling	Kiel	McFarlane	Rukavina	Woodard
Cornish	Gruenhagen	Kiffmeyer	McNamara	Runbeck	Spk. Zellers
Crawford	Gunther	Knuth	Melin	Sanders	
Daudt	Hackbarth	Koenen	Moran	Scalze	
Davids	Hamilton	Kriesel	Morrow	Schomacker	
Davnie	Hancock	Laine	Mullery	Scott	

A quorum was present.

The Chief Clerk proceeded to read the Journal of the preceding day. There being no objection, further reading of the Journal was dispensed with and the Journal was approved as corrected by the Chief Clerk.

REPORTS OF CHIEF CLERK

S. F. No. 134 and H. F. No. 212, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Beard moved that S. F. No. 134 be substituted for H. F. No. 212 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 301 and H. F. No. 506, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Shimanski moved that the rules be so far suspended that S. F. No. 301 be substituted for H. F. No. 506 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1009 and H. F. No. 1408, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Sanders moved that the rules be so far suspended that S. F. No. 1009 be substituted for H. F. No. 1408 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1083 and H. F. No. 1361, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Buesgens moved that S. F. No. 1083 be substituted for H. F. No. 1361 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1143 and H. F. No. 1466, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Scott moved that the rules be so far suspended that S. F. No. 1143 be substituted for H. F. No. 1466 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1265 and H. F. No. 1422, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Simon moved that the rules be so far suspended that S. F. No. 1265 be substituted for H. F. No. 1422 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1285 and H. F. No. 1500, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Anderson, D., moved that the rules be so far suspended that S. F. No. 1285 be substituted for H. F. No. 1500 and that the House File be indefinitely postponed. The motion prevailed.

REPORTS OF STANDING COMMITTEES AND DIVISIONS

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 191, A bill for an act relating to state government; proposing the Redundant Technology Elimination Act; consolidating state agency information technology systems and services; transferring duties to the Office of Enterprise Technology; appropriating money; amending Minnesota Statutes 2010, sections 16B.99; 16E.14, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 16E.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2010, section 16B.99, is amended to read:

16B.99 GEOSPATIAL INFORMATION OFFICE.

Subdivision 1. **Creation.** The Minnesota Geospatial Information Office is created under the supervision of the ~~commissioner of administration~~ chief geospatial information officer, who is appointed by the chief information officer.

Subd. 2. **Responsibilities; authority.** The office has authority to provide coordination, guidance, and leadership, and to plan the implementation of Minnesota's geospatial information technology. The office must identify, coordinate, and guide strategic investments in geospatial information technology systems, data, and services to ensure effective implementation and use of Geospatial Information Systems (GIS) by state agencies to maximize benefits for state government as an enterprise.

Subd. 3. **Duties.** The office must:

(1) coordinate and guide the efficient and effective use of available federal, state, local, and public-private resources to develop statewide geospatial information technology, data, and services;

(2) provide leadership and outreach, and ensure cooperation and coordination for all Geospatial Information Systems (GIS) functions in state and local government, including coordination between state agencies, intergovernment coordination between state and local units of government, and extragovernment coordination, which includes coordination with academic and other private and nonprofit sector GIS stakeholders;

(3) review state agency and intergovernment geospatial technology, data, and services development efforts involving state or intergovernment funding, including federal funding;

(4) provide information to the legislature regarding projects reviewed, and recommend projects for inclusion in the governor's budget under section 16A.11;

- (5) coordinate management of geospatial technology, data, and services between state and local governments;
- (6) provide coordination, leadership, and consultation to integrate government technology services with GIS infrastructure and GIS programs;
- (7) work to avoid or eliminate unnecessary duplication of existing GIS technology services and systems, including services provided by other public and private organizations while building on existing governmental infrastructures;
- (8) promote and coordinate consolidated geospatial technology, data, and services and shared geospatial Web services for state and local governments; and
- (9) promote and coordinate geospatial technology training, technical guidance, and project support for state and local governments.

Subd. 4. **Duties of chief geospatial information officer.** (a) In consultation with the state geospatial advisory council, the commissioner of administration, the commissioner of management and budget, and the ~~Minnesota~~ chief geospatial information officer, the chief ~~geospatial~~ information officer must identify when it is cost-effective for agencies to develop and use shared information and geospatial technology systems, data, and services. The chief ~~geospatial~~ information officer may require agencies to use shared information and geospatial technology systems, data, and services.

(b) The chief ~~geospatial~~ information officer, in consultation with the state geospatial advisory council, must establish reimbursement rates in cooperation with the commissioner of management and budget to bill agencies and other governmental entities sufficient to cover the actual development, operation, maintenance, and administrative costs of the shared systems. The methodology for billing may include the use of interagency agreements, or other means as allowed by law.

Subd. 5. **Fees.** (a) The chief ~~geospatial~~ information officer must set fees under section 16A.1285 that reflect the actual cost of providing information products and services to clients. Fees collected must be deposited in the state treasury and credited to the Minnesota Geospatial Information Office revolving account. Money in the account is appropriated to the chief ~~geospatial~~ information officer for providing Geospatial Information Systems (GIS) consulting services, software, data, Web services, and map products on a cost-recovery basis, including the cost of services, supplies, material, labor, and equipment as well as the portion of the general support costs and statewide indirect costs of the office that is attributable to the delivery of these products and services. Money in the account must not be used for the general operation of the Minnesota Geospatial Information Office.

(b) The chief ~~geospatial~~ information officer may require a state agency to make an advance payment to the revolving account sufficient to cover the agency's estimated obligation for a period of 60 days or more. If the revolving account is abolished or liquidated, the total net profit from the operation of the account must be distributed to the various funds from which purchases were made. For a given period of time, the amount of total net profit to be distributed to each fund must reflect the same ratio of total purchases attributable to each fund divided by the total purchases from all funds.

Subd. 6. **Accountability.** The chief geospatial information officer is appointed by the ~~commissioner of administration and must work closely with the~~ Minnesota chief information officer who shall advise on technology projects, standards, and services.

Subd. 7. **Discretionary powers.** The office may:

(1) enter into contracts for goods or services with public or private organizations and charge fees for services it provides;

(2) apply for, receive, and expend money from public agencies;

(3) apply for, accept, and disburse grants and other aids from the federal government and other public or private sources;

(4) enter into contracts with agencies of the federal government, local government units, the University of Minnesota and other educational institutions, and private persons and other nongovernment organizations as necessary to perform its statutory duties;

(5) appoint committees and task forces to assist the office in carrying out its duties;

(6) sponsor and conduct conferences and studies, collect and disseminate information, and issue reports relating to geospatial information and technology issues;

(7) participate in the activities and conferences related to geospatial information and communications technology issues;

(8) review the Geospatial Information Systems (GIS) technology infrastructure of regions of the state and cooperate with and make recommendations to the governor, legislature, state agencies, local governments, local technology development agencies, the federal government, private businesses, and individuals for the realization of GIS information and technology infrastructure development potential;

(9) sponsor, support, and facilitate innovative and collaborative geospatial systems technology, data, and services projects; and

(10) review and recommend alternative sourcing strategies for state geospatial information systems technology, data, and services.

Subd. 8. **Geospatial advisory councils created.** The chief ~~geospatial~~ information officer must establish a governance structure that includes advisory councils to provide recommendations for improving the operations and management of geospatial technology within state government and also on issues of importance to users of geospatial technology throughout the state.

(a) A statewide geospatial advisory council must advise the Minnesota Geospatial Information Office regarding the improvement of services statewide through the coordinated, affordable, reliable, and effective use of geospatial technology. The ~~commissioner of administration~~ chief information officer must appoint the members of the council. The members must represent a cross-section of organizations including counties, cities, universities, business, nonprofit organizations, federal agencies, and state agencies. No more than 20 percent of the members may be employees of a state agency. In addition, the chief geospatial information officer must be a nonvoting member.

(b) A state government geospatial advisory council must advise the Minnesota Geospatial Information Office on issues concerning improving state government services through the coordinated, affordable, reliable, and effective use of geospatial technology. The ~~commissioner of administration~~ chief information officer must appoint the members of the council. The members must represent up to 15 state government agencies and constitutional offices, including the Office of Enterprise Technology and the Minnesota Geospatial Information Office. The council must be chaired by the chief geographic information officer. A representative of the statewide geospatial advisory council must serve as a nonvoting member.

(c) Members of both the statewide geospatial advisory council and the state government advisory council must be recommended by a process that ensures that each member is designated to represent a clearly identified agency or interested party category and that complies with the state's open appointment process. Members shall serve a term of two years.

(d) The Minnesota Geospatial Information Office must provide administrative support for both geospatial advisory councils.

(e) This subdivision expires June 30, 2011.

~~Subd. 9. **Report to legislature.** By January 15, 2010, the chief geospatial information officer must provide a report to the chairs and ranking minority members of the legislative committees with jurisdiction over the policy and budget for the office. The report must address all statutes that refer to the Minnesota Geospatial Information Office or land management information system and provide any necessary draft legislation to implement any recommendations.~~

Sec. 2. [16E.0151] RESPONSIBILITY FOR INFORMATION TECHNOLOGY SERVICES AND EQUIPMENT.

(a) The chief information officer is responsible for providing or entering into managed services contracts for the provision of the following information technology systems and services to state agencies:

(1) state data centers;

(2) mainframes including system software;

(3) servers including system software;

(4) desktops including system software;

(5) laptop computers including system software;

(6) a data network including system software;

(7) database, electronic mail, office systems, reporting, and other standard software tools;

(8) business application software and related technical support services;

(9) help desk for the components listed in clauses (1) to (8);

(10) maintenance, problem resolution, and break-fix for the components listed in clauses (1) to (8);

(11) regular upgrades and replacement for the components listed in clauses (1) to (8); and

(12) network-connected output devices.

(b) All state agency employees whose work primarily involves functions specified in paragraph (a) are employees of the Office of Enterprise Technology. This includes employees who directly perform the functions in paragraph (a), as well as employees whose work primarily involves managing, supervising, or providing administrative services or support services to employees who directly perform these functions. The chief information officer may assign employees of the office to perform work exclusively for another state agency.

(c) The chief information officer may allow a state agency to obtain services specified in paragraph (a) through a contract with an outside vendor when the chief information officer and the agency head agree that a contract would provide best value, as defined in section 16C.02, under the service-level agreement. The chief information officer must require that agency contracts with outside vendors ensure that systems and services are compatible with standards established by the Office of Enterprise Technology.

(d) In exercising authority under this section, the chief information officer must cooperate with the commissioner of administration on contracts for acquisition of information technology systems and services. The authority granted to the chief information officer does not limit the procurement, contract management, and contract review authority of the commissioner of administration under chapter 16C, including authority of the commissioner to enter into and manage cooperative purchasing agreements with other states.

(e) The Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the State Board of Investment, the Campaign Finance and Public Disclosure Board, the State Lottery, and the Statewide Radio Board are not state agencies for purposes of this section.

Sec. 3. **[16E.036] ADVISORY COMMITTEE.**

(a) The Technology Advisory Committee is created to advise the chief information officer. The committee consists of six members appointed by the governor who are individuals actively involved in business planning for state executive branch agencies, one county member designated by the Association of Minnesota Counties, one member appointed by the governor as a representative of a union that represents state information technology employees, and one member appointed by the governor to represent private businesses.

(b) Membership terms, removal of members, and filling of vacancies are as provided in section 15.059. Members do not receive compensation or reimbursement for expenses.

(c) The committee shall select a chair from its members. The chief information officer shall provide administrative support to the committee.

(d) The committee shall advise the chief information officer on:

(1) development and implementation of the state information technology strategic plan;

(2) critical information technology initiatives for the state;

(3) standards for state information architecture;

(4) identification of business and technical needs of state agencies;

(5) strategic information technology portfolio management, project prioritization, and investment decisions;

(6) the office's performance measures and fees for service agreements with executive branch agencies;

(7) management of the state enterprise technology revolving fund; and

(8) the efficient and effective operation of the office.

Sec. 4. Minnesota Statutes 2010, section 16E.14, is amended by adding a subdivision to read:

Subd. 6. **Technology improvement account.** The technology improvement account is established as an account in the enterprise technology fund. Money in the account is appropriated to the chief information officer for the purpose of funding a project that will result in improvements in state information and telecommunications technology. The chief information officer may spend money from the account on behalf of a state agency or group of agencies or may transfer money in the account to a state agency or group of agencies only according to an agreement under which: (1) the chief information officer has determined that savings generated by the project to be funded from the account will exceed the cost of the project; and (2) the agency or agencies sponsoring the project have developed a plan for recouping the project costs to the fund.

Sec. 5. **[16E.145] INFORMATION TECHNOLOGY APPROPRIATION.**

An appropriation for a state agency information and telecommunications technology project must be made to the chief information officer. The chief information officer must manage and disburse the appropriation on behalf of the sponsoring state agency. Any appropriation for an information and telecommunications technology project made to a state agency other than the Office of Enterprise Technology is transferred to the chief information officer.

EFFECTIVE DATE. This section is effective July 1, 2011, and applies to appropriations made before or after that date. The remainder of any appropriation subject to this section made before July 1, 2011, is transferred to the chief information officer on July 1, 2011.

Sec. 6. **TRANSFERS; TRANSITION.**

(a) Powers, duties, responsibilities, assets, personnel, and unexpended appropriations relating to functions assigned to the chief information officer in Minnesota Statutes, section 16E.0151, are transferred to the Office of Enterprise Technology from all other state agencies, as defined in Minnesota Statutes, section 16E.03, subdivision 1, paragraph (e), effective July 1, 2011. All reporting relationships associated with the transferred powers, duties, responsibilities, assets, personnel, and unexpended appropriations are also transferred to the Office of Enterprise Technology on July 1, 2011. By January 15, 2012, the chief information officer shall submit to the legislature any statutory changes needed to complete implementation of the transfer in this section.

(b) Prior to the transfer mandated by paragraph (a), the chief information officer must enter into a service-level agreement with each state agency governing the provision of information technology systems and services in section 2. The agreements must specify the services to be provided and the charges for these services. As specified in section 2, an agency may choose to obtain these services from an outside vendor, rather than from the Office of Enterprise Technology. Authority to enter into agreements under this paragraph is effective the day following final enactment, with the resulting agreements effective July 1, 2011.

(c) Powers, duties, responsibilities, assets, personnel, and unexpended appropriations relating to geospatial information systems are transferred from the commissioner of administration to the Office of Enterprise Technology.

(d) Minnesota Statutes, section 15.039, applies to transfers in this section. Executive branch officials may use authority under Minnesota Statutes, section 16B.37, as necessary to implement this section.

(e) The transfer of authority to the Office of Enterprise Technology in this article does not require expansion or consolidation of office space, data centers, help desks, or other systems. The chief information officer may implement expansion, relocation, or consolidation to the extent feasible and desirable with existing resources, or to the extent that savings resulting from the expansions or consolidations will pay for the costs associated with these activities during the biennium ending June 30, 2013.

(f) Expenses relating to transfer of functions and other implementation of sections 1 to 8 must be paid from the enterprise technology revolving fund.

Sec. 7. **STUDY.**

The chief information officer in the Office of Enterprise Technology shall report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over state government finance by January 15, 2012, on the feasibility and desirability of the office entering into service-level agreements with the State Lottery and the Statewide Radio Board regarding provision of information technology systems and services to those entities.

Sec. 8. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall recodify Minnesota Statutes, section 16B.99, into Minnesota Statutes, chapter 16E.

Sec. 9. **EFFECTIVE DATE.**

Sections 1 to 8 are effective July 1, 2011. However, the chief information officer may phase in the transfer of functions required by sections 1 to 8 between July 1, 2011, and July 1, 2012."

Delete the title and insert:

"A bill for an act relating to state government; consolidating services for information technology and telecommunications technology; establishing an advisory committee; transferring duties; requiring a report; appropriating money; amending Minnesota Statutes 2010, sections 16B.99; 16E.14, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 16E."

With the recommendation that when so amended the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 211, A bill for an act relating to civil actions; modifying liability limits for certain tort claims against the state and political subdivisions; regulating certain conciliation court claims; providing a right of appeal on certain class action orders; modifying the statute of limitations on certain claims; modifying prejudgment interest; regulating attorney fees; providing a cause of action for sex trafficking violations; amending Minnesota Statutes 2010, sections 3.736, subdivision 4; 466.03, subdivision 6e, by adding a subdivision; 466.04, subdivisions 1, 3; 491A.01, subdivision 3; 541.05, subdivision 1; 549.09, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 540; 549; 609.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 637, A bill for an act relating to health; modifying an exemption to the food, beverage, and lodging establishments statutes; amending Minnesota Statutes 2010, sections 157.15, subdivision 12b; 157.22.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Dean from the Committee on Rules and Legislative Administration to which was referred:

H. F. No. 650, A bill for an act relating to transportation; regulating driver education and driver examination related to carbon monoxide poisoning; making technical changes; amending Minnesota Statutes 2010, sections 171.0701; 171.13, subdivision 1, by adding a subdivision.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 705, A bill for an act relating to local government; permitting counties to have private audits performed that meet state auditor requirements; eliminating certain publication and reporting requirements; providing for use of surplus law library funds; repealing certain county clerk hiring requirements; repealing seed and feed loans provisions; providing for Ramsey County Community Corrections Department duties; making clarifying and technical changes; amending Minnesota Statutes 2010, sections 6.48; 6.49; 134A.12; 279.09; 299A.77; 331A.11; 375.055, subdivision 1; 383A.404, by adding a subdivision; repealing Minnesota Statutes 2010, sections 279.07; 279.08; 340A.403, subdivision 4; 382.265; 383A.404, subdivision 5; 395.14; 395.15; 395.16; 395.17; 395.18; 395.19; 395.20; 395.21; 395.22; 395.23; 395.24.

Reported the same back with the following amendments:

Page 1, delete section 1

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon

Page 1, line 3, delete everything before "eliminating" and insert "delaying certain audit requirements for new first class cities;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 1025, A bill for an act relating to energy; modifying provisions relating to energy rates, energy conservation and savings programs, utility cost recovery and investments, qualifying facilities and nongenerating utilities, energy-related rate impacts, large energy customers, cold weather notices to energy consumers, hydropower, an innovative energy project, transmission lines, Public Utilities Commission approval for security issuance by utilities, assessments, establishment of Energy Reliability and Intervention Office, the Energy Conservation Information Center and residential weatherization programs, and membership in the Melrose Public Utilities Commission; making technical and clarifying changes; amending Minnesota Statutes 2010, sections 16E.15, subdivision 2; 216B.03; 216B.07; 216B.096, subdivision 3; 216B.16, subdivisions 6b, 7, 9, 15, by adding subdivisions; 216B.1636, subdivision 1; 216B.164, subdivision 3; 216B.1691, subdivision 1, by adding a subdivision; 216B.1694, by adding a subdivision; 216B.2401; 216B.241, subdivisions 1, 1a, 1b, 1c, 2; 216B.2425, subdivision 2; 216B.49, subdivision 3; 216B.62, subdivisions 2, 3; 216C.052; 216C.11; 216C.264, subdivision 2; 216E.18, subdivision 3; repealing Minnesota Statutes 2010, sections 216A.085; 216B.242; 216C.264, subdivision 4.

Reported the same back with the following amendments:

Page 6, line 4, after "commission" insert ", upon its own motion or upon petition of any party."

Page 6, line 5, delete "hear and consider a petition by any party to"

Page 8, line 7, before "conservation" insert "and utility-initiated"

Page 9, after line 2, insert:

"(g) "Facility" means all buildings, structures, equipment, and installations at a single site."

Page 9, lines 3, 12, 31, and 33, delete the new language and reinstate the stricken language

Page 9, line 21, delete "(i)" and reinstate the stricken "(j)"

Page 10, lines 1 and 3, delete the new language and reinstate the stricken language

Page 10, line 28, before "customer" insert "facility that qualifies the customer as a large energy"

Page 11, line 19, delete "300,000" and insert "600,000"

Page 18, after line 31, insert:

"Sec. 2. Minnesota Statutes 2010, section 216B.026, subdivision 1, is amended to read:

Subdivision 1. **Election.** ~~(a)~~ A cooperative electric association may elect to become subject to rate regulation by the commission pursuant to sections 216B.03 to 216B.23. The election shall be approved by a majority of members or stockholders voting by mail ballot initiated by petition of not less than five percent of the members or stockholders of the association, as determined by membership figures submitted by the association to the Rural Electric Administration for the month in which the petition was submitted.

~~(b) For a cooperative electric association that is the product of a merger or consolidation of three or more associations between December 30, 1996, and January 1, 2001, the number of members or stockholders necessary to initiate the petition shall be no less than one percent of the members or stockholders of the association.~~

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

Page 27, after line 13, insert:

"ARTICLE 4
APPROPRIATION

Section 1. **APPROPRIATION.**

\$207,000 is appropriated from the general fund to the Public Utilities Commission for the rulemaking required under article 1, section 9, and for appeals of exemptions made under article 2, sections 3 and 4."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 10, after "changes;" insert "appropriating money;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 1068, A bill for an act relating to transportation; providing for various provisions governing transportation and public safety policies, including data practices, bicycles and bikeways, highways and bridges, transportation construction contracts, motor vehicles, traffic regulations, driver licensing and training, alternative financing for transportation projects, railroads, motor carriers and commercial drivers, and agency reporting; establishing certain fees and an account; expanding a pilot program; providing variance for seaplane base; repealing certain provisions; making technical changes; appropriating money; amending Minnesota Statutes 2010, sections 13.72, subdivisions 1, 11, by adding subdivisions; 85.015, by adding a subdivision; 85.018, subdivisions 2, 4; 160.263, subdivision 2; 161.14, subdivision 66, by adding a subdivision; 161.321; 161.3212; 162.081, subdivision 4; 162.09, by adding a subdivision; 168.002, subdivisions 24, 26, 40, by adding subdivisions; 168.012, subdivision 1; 168.017, subdivision 3; 168.021; 168.12, subdivisions 1, 2b, 5; 168.123, subdivision 1; 168A.11, subdivision 4; 168B.011, subdivision 12; 169.011, subdivision 27; 169.035, subdivision 1, by adding a subdivision; 169.06, subdivisions 5, 7; 169.09, subdivision 13; 169.19, subdivision 5; 169.223, subdivision 5; 169.306; 169.345, subdivisions 1, 3; 169.346, subdivision 3; 169.4503, by adding a subdivision; 169.64, subdivision 2; 169.685, subdivision 6; 169.86, subdivisions 4, 5; 169.99, subdivision 1b; 169A.54, subdivisions 1, 6; 171.03; 171.05, subdivision 2; 171.06, subdivision 2; 171.061, subdivision 4; 171.0701; 171.12, subdivision 6; 171.13, subdivision 1, by adding a subdivision; 171.27; 171.30, subdivision 1; 171.306, subdivision 4; 174.02, by adding a subdivision; 174.56; 174.632; 174.80, by adding a subdivision; 174.88, by adding a subdivision; 221.0314, subdivision 3a; 222.50, subdivision 4; 222.51; 222.53; 222.63, subdivision 9; Laws 2009, chapter 59, article 3, section 4, as amended; proposing coding for new law in Minnesota Statutes, chapters 160; 161; 171; repealing Minnesota Statutes 2010, sections 161.08, subdivision 2; 161.115, subdivision 263; 168.012, subdivision 1b; 169A.54, subdivision 5; 222.48, subdivision 3a; Laws 2008, chapter 350, article 1, section 5, as amended; Laws 2009, chapter 393, section 85.

Reported the same back with the following amendments:

Pages 1 to 5, delete sections 1 to 5

Page 12, delete lines 27 to 33

Page 13, delete lines 1 to 3

Page 14, line 25, after "Rules" insert "eligibility" and before "The" insert "(a)"

Page 14, after line 28, insert:

"(b) In addition to other eligibility requirements, a small targeted group business or veteran-owned small business is eligible for the bid preferences under this section only for eight years following the later of (1) the effective date of this act, or (2) the date of initial designation as a small targeted group business or veteran-owned small business by the commissioner of administration under section 16C.16."

Page 14, line 33, strike "Report by commissioner" and insert "Reporting" and before "The" insert "(a)"

Page 14, after line 36, insert:

"(b) By February 1 of each even-numbered year, the commissioner shall submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance concerning contract awards under this section. At a minimum, the report must include:

(1) a summary of the program;

(2) a review of the use of preferences for contracting, including frequency of establishment of a preference and frequency of contract award to a small targeted group business or veteran-owned small business;

(3) a review of goals and good faith efforts to use small targeted group businesses and veteran-owned small businesses in subcontracts, including analysis of methods used for, and effectiveness of, good faith efforts;

(4) a summary of any financial incentives or sanctions imposed;

(5) information on each reevaluation under subdivision 4a, including details on the methodology for reevaluation; and

(6) any recommendations for legislative or programmatic changes."

Page 16, line 9, delete "two" and insert "four"

Page 32, delete section 39

Page 58, line 14, delete "and" and insert a comma

Page 58, line 29, after "office" insert a comma

Page 59, after line 4, insert:

"**EFFECTIVE DATE.** This section is effective August 1, 2011, except that (1) the changes in subdivision 2, clause (2), apply to projects that are substantially completed on or after July 1, 2011; and (2) subdivision 2, clause (6), is effective beginning with the report due by December 15, 2012."

Page 59, line 31, delete everything after the period

Page 59, delete lines 32 and 33

Page 66, line 32, delete "may" and insert "shall"

Page 67, line 2, before the period, insert ", except that the variance must be provided notwithstanding the requirements of any rule to the contrary"

Page 67, line 31, delete "2009" and insert "2002"

Renumber the sections in sequence

Correct the title numbers accordingly

With the recommendation that when so amended the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 1261, A bill for an act relating to metropolitan government; providing for the additional financing of metropolitan area transit and paratransit capital expenditures; authorizing the issuance of certain obligations; amending Minnesota Statutes 2010, section 473.39, by adding a subdivision.

Reported the same back with the recommendation that the bill pass.

MINORITY REPORT

May 16, 2011

We, the undersigned, being a minority of the Committee on Ways and Means, recommend that H. F. No. 1261 do pass with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1 CORPORATE FRANCHISE, INDIVIDUAL INCOME, AND ESTATE TAXES

Section 1. Minnesota Statutes 2010, section 270C.01, is amended by adding a subdivision to read:

Subd. 12. **Nontax purpose.** Nontax purpose means the taxpayer's purpose for entering into a transaction other than the acquisition of the tax effects of the transaction. Nontax purposes include a business, investment, or other nontax purpose for entering into a transaction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 2. Minnesota Statutes 2010, section 270C.01, is amended by adding a subdivision to read:

Subd. 13. **Economic substance.** Economic substance means a transaction has an objective and substantial net effect on the taxpayer's economic position and beneficial interest and the taxpayer has a substantial nontax purpose, apart from tax effects, for entering into such transaction or series of transactions.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 3. Minnesota Statutes 2010, section 270C.01, is amended by adding a subdivision to read:

Subd. 14. **Tax effects.** The tax effects of a transaction means the state and local tax effects arising from the application of the laws of any state or local unit of government to the form of the transaction, and the federal tax effects resulting from the transaction that affect federal taxable income as defined in section 63 of the Internal Revenue Code, or both.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 4. Minnesota Statutes 2010, section 270C.01, is amended by adding a subdivision to read:

Subd. 15. **Transaction.** Transaction means any transaction or series of transactions, including any fact or set of facts, material to the reduction, deferral, nonrecognition, escape, avoidance, evasion, or any similar result of any tax or income, or the creation of any loss, deduction, or credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 270C.03, subdivision 1, is amended to read:

Subdivision 1. **Powers and duties.** The commissioner shall have and exercise the following powers and duties:

- (1) administer and enforce the assessment and collection of taxes;
- (2) make determinations, corrections, and assessments with respect to taxes, including interest, additions to taxes, and assessable penalties;
- (3) administer the tax laws according to the substance of a transaction, not the form of a transaction; in administering these laws, the commissioner must disregard the tax effects of a transaction that does not have economic substance and nontax purpose;
- ~~(3)~~ (4) use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments;
- (4) (5) investigate the tax laws of other states and countries, and formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of state revenue laws and to secure just and equal taxation and improvement in the system of state revenue laws;
- ~~(5)~~ (6) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

~~(6)~~ (7) execute and administer any agreement with the secretary of the treasury or the Bureau of Alcohol, Tobacco, Firearms and Explosives in the Department of Justice of the United States or a representative of another state regarding the exchange of information and administration of the state revenue laws;

~~(7)~~ (8) require town, city, county, and other public officers to report information as to the collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe;

~~(8)~~ (9) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority;

~~(9)~~ (10) maintain toll-free telephone access for taxpayer assistance for calls from locations within the state; and

~~(10)~~ (11) exercise other powers and authority and perform other duties required of or imposed upon the commissioner by law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 6. **[270C.331] CRITERIA FOR ASSESSMENT.**

(a) In determining whether a taxpayer has a nontax purpose for entering into a transaction pursuant to section 270C.03, subdivision 1, clause (3), the commissioner may determine that a transaction has a nontax purpose only if:

(1) the expected results of a transaction are that the present value of the reasonably expected pretax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction or series of transactions were respected;

(2) the reasonably expected pretax profit from the transaction or series of transactions exceeds a risk-free rate of return;

(3) the nontax purpose is the taxpayer's primary motivation for entering into the transaction; and

(4) the form of the transaction is a reasonable means of attaining that purpose.

Fees and other transaction expenses and foreign taxes must be taken into account as expenses in determining pretax profit. The acquisition of a financial accounting benefit is a nontax purpose only if the financial accounting benefit is unrelated to the expected tax effects of a transaction.

(b) To overcome the presumption in section 270C.33, subdivision 6, that an order of the commissioner disallowing the tax effects of a transaction because the commissioner has determined that the transaction does not have a nontax purpose and economic substance is correct and valid, the taxpayer must prove the existence of a nontax purpose and economic substance with clear and convincing evidence.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 7. Minnesota Statutes 2010, section 289A.08, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 289A.60, is amended by adding a subdivision to read:

Subd. 27a. **Noneconomic substance transaction understatement penalty.** (a) If a taxpayer has a transaction without economic substance and nontax purpose as defined in section 270C.01, a penalty equal to 20 percent of the amount of the disclosed noneconomic substance transaction understatement must be added to the tax. This subdivision applies to any income or item that is attributable to any transaction or series of transactions without economic substance and nontax purpose under section 270C.01.

(b) If a taxpayer has a transaction without economic substance and nontax purpose as defined in section 270C.01, in the case of any portion of an underpayment which is attributable to one or more nondisclosed noneconomic substance transactions, a penalty equal to 40 percent of the noneconomic substance transaction understatement must be added to the tax.

(c) For purposes of this subdivision, the term "nondisclosed noneconomic substance transaction" means a transaction described in section 270C.03, subdivision 1, clause (3), with respect to which the relevant facts affecting the tax treatment are not adequately disclosed in the return nor in a statement attached to the return.

(d) In no event shall any amendment or supplement to a return of tax be taken into account for purposes of this subdivision to reduce the noneconomic substance transaction understatement if the amendment or supplement is filed after the date the taxpayer is first contacted by the commissioner regarding examination of the return.

(e) For purposes of this subdivision, "noneconomic substance transaction understatement" means the product of:

(1) the amount of the increase, if any, in taxable income that results from a difference between the proper tax treatment of an item to which section 270C.03, subdivision 1, clause (3) applies and the taxpayer's treatment of that item as shown on the taxpayer's tax return. For purposes of this clause, any reduction of the excess of deductions allowed for the taxable year over gross income for that year, and any reduction in the amount of capital losses which would, without regard to section 1211 of the Internal Revenue Code, be allowed for that year, must be treated as an increase in taxable income; and

(2) the highest rate of tax imposable on the taxpayer under section 290.06 determined without regard to the understatement.

(f) If the noneconomic substance transaction understatement penalty is imposed under this subdivision, the noneconomic substance transaction understatement penalty applies in lieu of the penalties imposed under subdivision 27.

EFFECTIVE DATE. This section is effective for noneconomic substance transaction understatements assessed after December 31, 2012.

Sec. 9. Minnesota Statutes 2010, section 290.01, subdivision 7, is amended to read:

Subd. 7. **Resident.** (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse and a dwelling place owned by the individual or spouse of the individual that is leased to a person with a relationship to the individual or their spouse described in section 267(b) of the Internal Revenue Code.

(c) Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

(d) "Part-year resident" means an individual domiciled outside the state, who is not a resident of the state under paragraph (b), who maintains a place of abode in the state for more than one-half of the tax year, and spends in the aggregate more than 60 days in the state during the period the individual was domiciled outside the state unless:

(1) the individual or spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For the purposes of this paragraph, a day spent in Minnesota for the primary purpose of receiving medical treatment by the taxpayer, or the spouse, child, or parent of the taxpayer, is not treated as a day spent in Minnesota. Medical treatment is treatment as defined in section 213(d)(1)(A) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010, except days spent in Minnesota prior to the date of enactment are not counted as days spent in Minnesota for purposes of paragraph (d).

Sec. 10. Minnesota Statutes 2010, 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) net 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 amount used to claim 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 363A. 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 purchased or leased for use 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. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. 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) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code 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 over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause ~~(14)~~ (14), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause ~~(14)~~ (14), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

(9) job opportunity building zone income as provided under section 469.316;

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

(12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(15)~~ (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(15)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) international economic development zone income as provided under section 469.325;

(16) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; and

(17) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19a, clause (16).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 11. Minnesota Statutes 2010, section 290.01, subdivision 19c, as amended by Laws 2011, chapter 8, section 4, 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 and 965 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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

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

(10) 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;

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

~~(12) (11) 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;~~

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

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

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

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

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

~~(18) (17) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;~~

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

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

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

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

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

~~(iv) licensing fees; and~~

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

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

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

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

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

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

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

~~(iv) licensing fees; and~~

~~(v) other similar income.~~

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

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

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

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

~~(24) (19) for taxable years beginning before January 1, 2010, and after December 31, 2010, the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and~~

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 12. Minnesota Statutes 2010, 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 work opportunity 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 (9), 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) 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;

~~(10) 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, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;~~

~~(14)~~ (10) 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;

~~(12)~~ (11) the amount of disability 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;

~~(13)~~ (12) 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;

~~(14)~~ (13) 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;

~~(15)~~ (14) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The resulting delayed depreciation cannot be less than zero;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth of the amount of the addition; and

~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under ~~section 290.01~~, subdivision 19c, clause ~~(25)~~ (20).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 13. Minnesota Statutes 2010, section 290.01, subdivision 22, is amended to read:

Subd. 22. **Taxable net income.** For tax years beginning after December 31, 1986, the term "taxable net income" means:

(1) for resident individuals the same as net income;

(2) for individuals who were not residents of Minnesota for the entire year, the same as net income except that the tax is imposed only on the Minnesota apportioned share of that income as determined pursuant to section 290.06, subdivision 2c, paragraph (e);

(3) for all other taxpayers, the part of net income that is allocable to Minnesota by assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, 290.341, and 290.36.

For tax years beginning before January 1, 1987, the term "taxable net income" means the net income assignable to this state pursuant to sections 290.17 to 290.20. For corporations, taxable net income is then reduced by the deductions contained in section 290.21.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 14. Minnesota Statutes 2010, section 290.01, subdivision 29, is amended to read:

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

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

(2) for corporations, including insurance companies, the taxable net income less

(i) the net operating loss deduction under section 290.095;

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 15. Minnesota Statutes 2010, section 290.014, subdivision 5, is amended to read:

Subd. 5. **Corporations.** Except as provided in section 290.015, corporations are subject to the return filing requirements and to tax as provided in this chapter if the corporation so exercises its franchise as to engage in such contacts with this state as to cause part of the income of the corporation to be:

(1) allocable to this state under section 290.17, 290.191, 290.20, 290.341, or 290.36;

(2) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into

account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the estate;

(3) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the trust; or

(4) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the partnership.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 16. Minnesota Statutes 2010, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and other ores the mining or production of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; ~~and~~

(c) any insurance company; that is domiciled in a state or country other than Minnesota that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota. "Retaliatory taxes" has the meaning provided in section 297I.05, subdivision 11; and

(d) town and farmer's mutual insurance companies.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 17. Minnesota Statutes 2010, 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 ~~\$25,680~~ \$33,770, 5.35 percent;

(2) On all over ~~\$25,680~~ \$33,770, but not over ~~\$102,030~~ \$134,170, 7.05 percent;

(3) On all over ~~\$102,030~~ \$134,170, but not over \$250,000, 7.85 percent-;

(4) On all over \$250,000, 10.95 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 ~~\$17,570~~ \$23,100, 5.35 percent;

(2) On all over ~~\$17,570~~ \$23,100, but not over ~~\$57,710~~ \$75,890, 7.05 percent;

(3) On all over ~~\$57,710~~ \$75,890, but not over \$150,000, 7.85 percent-;

(4) On all over \$150,000, 10.95 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 ~~\$21,630~~ \$28,440, 5.35 percent;

(2) On all over ~~\$21,630~~ \$28,440, but not over ~~\$86,910~~ \$114,290, 7.05 percent;

(3) On all over ~~\$86,910~~ \$114,290, but not over \$200,000, 7.85 percent-;

(4) On all over \$200,000, 10.95 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), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13), (14), (15), and (17), 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), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (8), (9), (13), (14), (15), and (17).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 18. Minnesota Statutes 2010, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2011, 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, ~~1999~~ 2010, and before January 1, ~~2001~~ 2012. 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 "~~1999~~" "2010" shall be substituted for the word "1992." For ~~2001~~ 2012, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2010, to the 12 months ending on August 31, ~~2000~~ 2011, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2010, 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, 2011.

Sec. 19. Minnesota Statutes 2010, 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 based on net income to another state, 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 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, paragraph (b) or (d), 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 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, 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 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 on the gross income earned within the other state 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 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 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. 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":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and 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.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 20. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

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

(a) ~~ten~~ 15 percent of the first \$2,000,000 of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base amount; and

(b) 2.5 percent on all of such excess expenses over \$2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 21. Minnesota Statutes 2010, section 290.068, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses (a) and (b) shall apply. If a taxpayer does not have records to substantiate the aggregate qualified research expenses for the taxable years beginning after December 31, 1983, and before January 1, 1989, and is not a start-up company to which Internal Revenue Code, section 41(c)(3)(B), applies, the taxpayer may use a fixed base percentage of 16 percent.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 22. Minnesota Statutes 2010, section 290.0921, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

(1) 5.8 percent of Minnesota alternative minimum taxable income less the credit allowed under section 290.341, subdivision 3; over

(2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 23. Minnesota Statutes 2010, section 290.0921, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to:

(1) a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.341 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) a deduction for dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 24. Minnesota Statutes 2010, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(15)~~ (14), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(47)~~ (16), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), ~~or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).~~

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 25. Minnesota Statutes 2010, section 290.0921, subdivision 6, is amended to read:

Subd. 6. **Dividends received.** (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

This limitation does not apply to:

(1) dividends paid to or received from a corporation which is subject to tax under section 290.341 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 26. Minnesota Statutes 2010, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:	the tax equals:
less than \$500,000	\$0
\$500,000 to \$999,999	\$100
\$1,000,000 to \$4,999,999	\$300
\$5,000,000 to \$9,999,999	\$1,000
\$10,000,000 to \$19,999,999	\$2,000
\$20,000,000 or more	\$5,000
<u>less than</u> \$890,000	<u>\$0</u>
<u>\$890,000</u> <u>to</u> <u>\$1,779,999</u>	<u>\$180</u>
<u>\$1,780,000</u> <u>to</u> <u>\$8,889,999</u>	<u>\$530</u>
<u>\$8,890,000</u> <u>to</u> <u>\$17,779,999</u>	<u>\$1,780</u>
<u>\$17,800,000</u> <u>to</u> <u>\$35,559,999</u>	<u>\$3,560</u>
<u>\$35,560,000</u> <u>or</u> <u>more</u>	<u>\$8,890</u>

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:

the tax equals:

less than	\$500,000	\$0
\$500,000 to	\$999,999	\$100
\$1,000,000 to	\$4,999,999	\$300
\$5,000,000 to	\$9,999,999	\$1,000
\$10,000,000 to	\$19,999,999	\$2,000
\$20,000,000 or	more	\$5,000
less than	\$890,000	\$0
\$890,000 to	\$1,779,999	\$180
\$1,780,000 to	\$8,889,999	\$530
\$8,890,000 to	\$17,779,999	\$1,780
\$17,800,000 to	\$35,559,999	\$3,560
\$35,560,000 or	more	\$8,890

(c) The commissioner shall adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) 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 "2010" must be substituted for the word "1992." For 2012, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2010, to the 12 months ending on August 31, 2011, and in each subsequent year, from the 12 months ending on August 31, 2010, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amounts and the threshold amounts must be adjusted to the nearest \$10,000 amounts. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 27. Minnesota Statutes 2010, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05 other than insurance companies exempt under subdivision 1, paragraphs (c) and (d);

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3;

(7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310; and

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321. The exemption under this clause applies to taxable years beginning during the duration of the international economic development zone.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 28. Minnesota Statutes 2010, section 290.093, is amended to read:

290.093 TAX COMPUTATION FOR MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.

Mutual savings banks as defined in section 594 of the Internal Revenue Code are subject to a tax consisting of the sum of the taxes determined under clauses (1) and (2).

(1) a tax computed on the taxable income determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department, at the rates and in the manner ~~for a corporation not engaged in the business of issuing life insurance contracts~~ as if this section did not apply; and

(2) a tax computed on the income of the life insurance department determined without regard to any items of gross income or deductions not properly allocable to the department computed in the manner provided in section 290.341 and at the rate provided in section 290.06.

This section applies only if the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 816 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 29. Minnesota Statutes 2010, section 290.095, subdivision 2, is amended to read:

Subd. 2. **Defined and limited.** (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) or 810(a), in the case of life insurance companies, of the Internal Revenue Code, with the modifications specified in subdivision 4. The deductions provided in section 290.21 and the modification provided in section 290.01, subdivision 19d, clause (10), cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The provisions of section 172(b) of the Internal Revenue Code relating to the carryback of net operating losses, do not apply.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 30. Minnesota Statutes 2010, section 290.095, subdivision 3, is amended to read:

Subd. 3. **Carryover.** (a) A net operating loss incurred in a taxable year: (i) beginning after December 31, 1986, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) beginning before January 1, 1987, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carryback to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986, section 290.095.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation apports its income under the provisions of section 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year plus the excess loss assigned by section 290.17, subdivision 2. The loss carryover is applied to income allocated to Minnesota in the carryover year.

(d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers. The limitation amount determined under section 382 shall be applied to net income, before apportionment, in each post change year to which a loss is carried.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 31. Minnesota Statutes 2010, section 290.17, subdivision 1, is amended to read:

Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals is not subject to allocation outside this state. The allocation rules apply to nonresident individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders of corporations treated as "S" corporations under section 290.9725, and all corporations not having such an election in effect. If a partnership or corporation would not otherwise be subject to the allocation rules, but conducts a trade or business that is part of a unitary business involving another legal entity that is subject to the allocation rules, the partnership or corporation is subject to the allocation rules.

(b) Expenses, losses, and other deductions (referred to collectively in this paragraph as "deductions") must be allocated along with the item or class of gross income to which they are definitely related for purposes of assignment under this section or apportionment under section 290.191, 290.20, or 290.36. Deductions definitely related to any item of gross income assigned under subdivision 2, paragraph (e), are assigned to the taxpayer's domicile.

(c) In the case of an individual who is a resident for only part of a taxable year, the individual's income, gains, losses, and deductions from the distributive share of a partnership, S corporation, trust, or estate are not subject to allocation outside this state to the extent of the distributive share multiplied by a ratio, the numerator of which is the number of days the individual was a resident of this state during the tax year of the partnership, S corporation, trust, or estate, and the denominator of which is the number of days in the taxable year of the partnership, S corporation, trust, or estate.

(d) In the case of an individual who is a part-year resident as defined in section 290.01, subdivision 7, paragraph (d), income is assigned or allocated under subdivisions 2 and 3 except a pro rata share of income recognized while the individual maintains an abode in Minnesota and is not assigned or allocated to the state under subdivision 2 or 3 is also assigned to the state. The pro rata share is the income not assigned to the state under subdivision 2 or 3 multiplied by the ratio of the number of days physically present in Minnesota while domiciled in another state during the tax year over the number of days the individual maintains an abode in Minnesota while domiciled in another state.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 32. Minnesota Statutes 2010, 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~~ income 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), income from 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 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 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(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 an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

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 a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(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 taxable years beginning after December 31, 2011.

Sec. 33. Minnesota Statutes 2010, section 290.17, subdivision 3, is amended to read:

Subd. 3. **Trade or business income; general rule.** All income of a trade or business is subject to apportionment except nonbusiness income. Income ~~derived from carrying on~~ of a trade or business must be ~~assigned~~ apportioned to this state if the trade or business is conducted wholly within this state, ~~assigned~~ apportioned outside this state if conducted wholly without this state and apportioned between this state and other states and countries under this subdivision if conducted partly within and partly without this state. For purposes of determining whether a trade or business is carried on exclusively within or without this state:

(a) A trade or business physically located exclusively within this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state.

(b) A trade or business physically located exclusively without this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts within this state. The jurisdiction to tax such a business under this chapter must be determined in accordance with sections 290.014 and 290.015.

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

Sec. 34. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of

a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company determined under section 290.341, or income of an investment company determined under section 290.36.

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

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

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

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

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business, except that foreign corporations or other foreign entities that are included on a federal income tax return must be included on the combined report. Income of a foreign partnership or other foreign entity treated as a partnership included in federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in section 290.01, subdivision 19, and the proportionate amount of apportionment factors, must be included in the combined report. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis. ~~The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).~~

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

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

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

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

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

~~(h) (g)~~ For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities ~~other than foreign operating corporations~~ that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business, except that foreign corporations or other foreign entities that are included on a federal income tax return must be included on the combined report. Income of a foreign partnership or other foreign entity treated as a partnership included in federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in section 290.01, subdivision 19, and the proportionate amount of apportionment factors, must be included in the combined report.

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

~~(j) (h)~~ Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph ~~(h) (g)~~ must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph ~~(h) (g)~~ in the denominators of the apportionment formula. All sales of the unitary business made within Minnesota pursuant to section 290.191 or 290.20 must be included on the separate combined report of a corporation that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010, except that the new language added to paragraph (f) and the new language added to the new paragraph (g) are effective for taxable years beginning after December 31, 2011.

Sec. 35. Minnesota Statutes 2010, section 290.191, subdivision 2, is amended to read:

Subd. 2. **Apportionment formula of general application.** (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.341 or 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) the percent for the property factor under paragraph (b) of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) the percent for the payroll factor under paragraph (b) of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	81	9.5	9.5
2009	84	8	8
2010	87	6.5	6.5
2011	90	5	5
2012	93	3.5	3.5
2013	96	2	2
2014 and later calendar years	100	0	0

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 36. Minnesota Statutes 2010, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; ~~and,~~

~~(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19d(10).~~

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a corporation or trust for a fund of a corporation or trust regulated under United States Code, title 15, sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 37. Minnesota Statutes 2010, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.341 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust, as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

EFFECTIVE DATE. The changes made to paragraph (a) are effective for taxable years beginning after December 31, 2010, and the changes made to paragraph (c) are effective for taxable years beginning after December 31, 2011.

Sec. 38. **[290.341] INSURANCE COMPANIES; REPORT OF NET INCOME; COMPUTATION OF AMOUNT OF INCOME ALLOCABLE TO STATE.**

Subdivision 1. **Computation of net income.** (a) The net income of insurance companies taxable under this chapter is computed as follows.

(b) Each life insurance company must report to the commissioner the life insurance company taxable net income as defined in section 801(b) of the Internal Revenue Code, incorporating any elections made by the taxpayer in determining life insurance company taxable income for federal income tax purposes.

(c) Each insurance company other than a life insurance company must report to the commissioner its federal taxable income as defined in section 832 of the Internal Revenue Code, or its taxable investment income as defined in section 832 of the Internal Revenue Code, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income or taxable investment income for federal income tax purposes.

(d) The life insurance company taxable net income, federal taxable income, or taxable investment income so reported is subject to the modifications provided in section 290.01, subdivisions 19c to 19f.

Subd. 2. **Apportionment of taxable net income.** (a) The commissioner shall compute from net income the taxable net income of insurance companies by apportioning to this state net income on the ratio of gross premiums collected by them during the taxable year from old and new business within this state, including reinsurance premiums, to the total gross premiums collected by them during that year from their entire old and new business, including reinsurance premiums; the commissioner shall add to the taxable net income so apportioned to this state the amount of any taxes on premiums paid by the company by virtue of any law of this state, other than the surcharge on premiums imposed by section 2971.06 and the surcharge imposed by section 168A.40, subdivision 3, which shall have been deducted from gross income by the company in arriving at its total net income under the provisions of section 810(b) or 832 of the Internal Revenue Code.

(b) For purposes of determining the Minnesota apportionment percentage, premiums from reinsurance contracts in connection with property in or liability arising out of activity in, or in connection with the lives or health of Minnesota residents must be attributed to Minnesota and premiums from reinsurance contracts in connection with property in or liability arising out of activity in, or in connection with the lives or health of non-Minnesota residents must be attributed outside of Minnesota. Reinsurance premiums are presumed to be received for a Minnesota risk and are assigned to Minnesota, if:

(1) the reinsurance contract is assumed for a company domiciled in Minnesota; and

(2) the taxpayer, upon request of the commissioner, fails to provide reliable records indicating the reinsured contract covered non-Minnesota risks.

For purposes of this paragraph, "Minnesota risk" means coverage in connection with property in or liability arising out of activity in Minnesota, or in connection with the lives or health of Minnesota residents.

(c) The apportionment method prescribed by paragraph (b) must be presumed to fairly and correctly determine the taxpayer's taxable net income. If the method prescribed in paragraph (b) does not fairly reflect all or any part of taxable net income, the taxpayer may petition for or the commissioner may require the determination of taxable net income by use of another method if that method fairly reflects taxable net income. A petition within the meaning of this section must be filed by the taxpayer on a form as the commissioner requires.

Subd. 3. **Credit.** An insurance company shall receive a credit against the tax computed under sections 290.06, subdivision 1, and 290.0921, equal to any taxes based on premiums imposed by section 297I.05 and paid by the insurance company that are attributable to the period for which the tax under this chapter is imposed.

Subd. 4. **Guaranty association assessment offset.** (a) An insurance company may offset against its corporate franchise tax liability under this chapter any amount paid pursuant to assessments made for insolvencies which occur after December 31, 2010, under chapter 60C, and any amount paid pursuant to assessments made after December 31, 2010, under chapter 61B, as follows.

(b) Each such assessment must give rise to an amount of offset equal to 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid.

(c) The amount of offset initially determined for each taxable year is the sum of the amounts determined under paragraph (b) for that taxable year.

(d) Each year the commissioner of revenue shall compare total guaranty association assessments levied over the preceding five calendar years to the sum of all premium tax and corporate franchise tax revenues collected from insurance companies without reduction for any guaranty association assessment offset in the preceding calendar year, referred to in this subdivision as "preceding year insurance tax revenues." If total guaranty association assessments levied over the preceding five years exceed the preceding year insurance tax revenues, insurance companies are allowed only a proportionate part of the corporate franchise tax offset calculated under paragraph (c) for the current calendar year. The proportionate part of the corporate franchise tax offset allowed in the current calendar year is determined by multiplying the amount calculated under paragraph (c) by a fraction, the numerator of which equals the preceding year insurance tax revenues and the denominator of which equals total guaranty association assessments levied over the preceding five-year period. The proportionate part of the premium tax offset that is not allowed is carried forward to subsequent tax years and added to the amount of corporate franchise tax offset calculated under paragraph (c) before application of the limitation imposed by this paragraph. Any amount carried forward from prior years must be allowed before allowance of the offset for the current year calculated under paragraph (c). The corporate franchise tax offset limitation must be calculated separately for (1) insurance companies subject to assessment under chapter 60C, and (2) insurance companies subject to assessment under chapter 61B. When the corporate franchise tax offset is limited by this provision, the commissioner of revenue shall notify affected insurance companies before February 1 for purposes of filing premium and corporate franchise tax returns. The guaranty associations created under chapters 60C and 61B must provide the commissioner of revenue with the necessary information on guaranty association assessments. The limitation in this paragraph is effective for offsets allowable in 2011 and thereafter.

(e) If the offset determined by the application of paragraphs (b) and (c) exceeds the greater of the insurance company's corporate franchise tax liability under this chapter prior to allowance of the credit provided by subdivision 3 or its premium tax liability under chapter 297I, then the insurance company may carry forward the excess, referred to in this subdivision as the "carryforward credit," to subsequent taxable years. The carryforward credit must be allowed as an offset against corporate franchise tax liability for the first succeeding year to the extent that the corporate franchise tax liability for that year exceeds the amount of the allowable offset for the year determined under paragraphs (b) and (c). The carryforward credit must be reduced, but not below zero, by the greater of the amount of the carryforward credit allowed as an offset against the corporate franchise tax pursuant to this paragraph or the amount of the carryforward credit allowed as an offset against the insurance company's premium tax liability under chapter 297I pursuant to section 297I.20, subdivision 1, paragraph (b), clause (4). The remainder, if any, of the carryforward credit must be carried forward to succeeding taxable years until the entire carryforward credit has been credited against the insurance company's liability for corporate franchise tax under this chapter and premium tax under chapter 297I.

(f) A refund paid by the Minnesota life and health insurance guaranty association to member insurers under section 61B.24, subdivision 6, with respect to an assessment payment which has been offset against taxes must reduce the carryforward credit determined under paragraph (e) and, if the refund exceeds the amount of the carryforward credit, must be repaid by the insurers to the extent of the offset to the state in the manner the commissioner of revenue requires.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 39. Minnesota Statutes 2010, section 290.9201, subdivision 11, is amended to read:

Subd. 11. ~~Exception~~ **Exemption from withholding for public speakers and tax.** ~~The provisions of (a) Subdivisions 7 and 8 shall not be effective for~~ do not apply to:

(1) compensation paid to nonresident public speakers, if the compensation paid to the speaker is less than \$2,000 or is only a payment of the speaker's expenses; or

(2) compensation paid to an entertainment entity if the compensation paid to the entertainment entity is less than \$600.

(b) Compensation paid to a public speaker or an entertainment entity that is not subject to withholding tax under this subdivision is not subject to tax under subdivision 2 unless the total compensation received by the public speaker or entertainment entity in the tax year exceeds the individual income tax filing requirements for a nonresident individual under section 289A.08, subdivision 1, paragraph (a), clause (1).

EFFECTIVE DATE. This section is effective for compensation paid or received after December 31, 2011.

Sec. 40. Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through March 18, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

(5) "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.

(6) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(7) "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.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "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. For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(10) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust.

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2010.

Sec. 41. Minnesota Statutes 2010, section 297I.20, subdivision 1, is amended to read:

Subdivision 1. **Guaranty association assessment offsets.** (a) An insurance company may offset against its premium tax liability to this state any amount paid for assessments made for insolvencies which occur after July 31, 1994, under sections 60C.01 to 60C.22; and any amount paid for assessments made after July 31, 1994, under Minnesota Statutes 1992, sections 61B.01 to 61B.16, or under sections 61B.18 to 61B.32 as follows:

(1) Each such assessment shall give rise to an amount of offset equal to 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid.

(2) The amount of offset initially determined for each taxable year is the sum of the amounts determined under clause (1) for that taxable year.

(b)(1) Each year the commissioner shall compare total guaranty association assessments levied over the preceding five calendar years to the sum of all premium tax and corporate franchise tax revenues collected from insurance companies, without reduction for any guaranty association assessment offset in the preceding calendar year, referred to in this subdivision as "preceding year insurance tax revenues."

(2) If total guaranty association assessments levied over the preceding five years exceed the preceding year insurance tax revenues, insurance companies must be allowed only a proportionate part of the premium tax offset calculated under paragraph (a) for the current calendar year.

(3) The proportionate part of the premium tax offset allowed in the current calendar year is determined by multiplying the amount calculated under paragraph (a) by a fraction. The numerator of the fraction equals the preceding year insurance tax revenues, and its denominator equals total guaranty association assessments levied over the preceding five-year period.

(4) The proportionate part of the premium tax offset that is not allowed must be carried forward to subsequent tax years and added to the amount of premium tax offset calculated under paragraph (a) prior to application of the limitation imposed by this paragraph.

(5) Any amount carried forward from prior years must be allowed before allowance of the offset for the current year calculated under paragraph (a).

(6) The premium tax offset limitation must be calculated separately for (i) insurance companies subject to assessment under sections 60C.01 to 60C.22, and (ii) insurance companies subject to assessment under Minnesota Statutes 1992, sections 61B.01 to 61B.16, or 61B.18 to 61B.32.

(7) When the premium tax offset is limited by this provision, the commissioner shall notify affected insurance companies on a timely basis for purposes of completing premium and corporate franchise tax returns.

(8) The guaranty associations created under sections 60C.01 to 60C.22, Minnesota Statutes 1992, sections 61B.01 to 61B.16, and 61B.18 to 61B.32, shall provide the commissioner with the necessary information on guaranty association assessments.

(c)(1) If the offset determined by the application of paragraphs (a) and (b) exceeds the greater of the insurance company's premium tax liability under this section or its corporate franchise tax liability under chapter 290 prior to allowance of the credit for premium taxes, then the insurance company may carry forward the excess, referred to in this subdivision as the "carryforward credit" to subsequent taxable years.

(2) The carryforward credit is allowed as an offset against premium tax liability for the first succeeding year to the extent that the premium tax liability for that year exceeds the amount of the allowable offset for the year determined under paragraphs (a) and (b).

(3) The carryforward credit must be reduced, but not below zero, by the greater of the amount of the carryforward credit allowed as an offset against the premium tax under this paragraph or the amount of the carryforward credit allowed as an offset against the insurance company's corporate franchise tax liability under section 290.341, subdivision 5. The remainder, if any, of the carryforward credit must be carried forward to succeeding taxable years until the entire carryforward credit has been credited against the insurance company's liability for premium tax under this chapter and corporate franchise tax under chapter 290 if applicable for that taxable year.

(d) When an insurer has offset against taxes its payment of an assessment of the Minnesota Life and Health Guaranty Association, and the association pays the insurer a refund with respect to the assessment under Minnesota Statutes 1992, section 61B.07, subdivision 6, or 61B.24, subdivision 6, then the refund reduces the insurer's carryforward credit under paragraph (c). If the refund exceeds the amount of the carryforward credit, the excess amount must be repaid to the state by the insurers to the extent of the offset in the manner the commissioner requires.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 42. **REPEALER.**

(a) Minnesota Statutes 2010, section 290.01, subdivision 6b, is repealed.

(b) Minnesota Statutes 2010, section 290.0678, is repealed.

(c) Minnesota Statutes 2010, section 290.9201, subdivision 3, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective for taxable years beginning after December 31, 2010. Paragraph (b) is effective for taxable years beginning after December 31, 2011. Paragraph (c) is effective for compensation received after December 31, 2011.

ARTICLE 2
FEDERAL UPDATE

Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, as amended by Laws 2011, chapter 8, section 1, is amended to read:

Subd. 7. **Internal Revenue Code.** ~~Unless specifically defined otherwise, for taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~

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

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, as amended by Laws 2011, chapter 8, section 2, 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 the federal effective dates of changes to the Internal Revenue Code and 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 ~~March 18~~ December 31, 2010, shall be in effect for taxable years beginning after December 31, 1996, ~~except that for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~ The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6). The provisions of title II, section 2112, of the act of September 27, 2010, Public Law 111-240, rollovers from elective deferral plans to designated Roth accounts, are effective at the same time they became effective for federal purposes and taxable rollovers are included in net income at the same time they are included in gross income for federal purposes.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f 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.

Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, as amended by Laws 2011, chapter 8, section 3, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

(B) the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under subitem (A), that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code minus any addition that would have been required under clause (20) if the taxpayer had claimed the standard deduction, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the

standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) 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;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) for tax years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(11) the amount of expenses disallowed under section 290.10, subdivision 2;

(12) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code;

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; ~~and~~

(17) the amount of unemployment compensation exempt from tax under section 85(c) of the Internal Revenue Code; and

(18) to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed itemized deductions.

(i) The amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year.

(ii) The term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof.

(iii) The term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(19) to the extent included in federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount.

(i) The disallowed personal exemption amount is equal to the dollar amount of the personal exemptions claimed by the taxpayer in the computation of federal taxable income multiplied by the applicable percentage.

(ii) "Applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent.

(iii) The term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return.

(iv) The thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

(20) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2013, the difference between the standard deduction allowed under section 63(a) of the Internal Revenue Code and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code as amended through December 1, 2010.

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

Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, as amended by Laws 2011, chapter 8, section 4, 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 and 965 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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

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

(10) 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;

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

(12) 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;

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

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of ~~Division C, title III, section 303(b) of Public Law 110-343~~ section 750 of Public Law 111-312;

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

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

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

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

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

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

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

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

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

(iv) licensing fees; and

(v) other similar expenses and costs.

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

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

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

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

(ii) income from factoring transactions or discounting transactions;

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

(iv) licensing fees; and

(v) other similar income.

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

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

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

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

(24) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

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

EFFECTIVE DATE. The changes to clauses (14) and (24) are effective for taxable years beginning after December 31, 2009. The change to clause (18) is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2010, 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 work opportunity 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 (9), 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) 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;

(10) 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, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(11) 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;

(12) the amount of disability 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;

(13) 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;

(14) 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;

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

(16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of ~~Division C, title III, section 303(b) of Public Law 110-343~~ section 750 of Public Law 111-312;

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 6. Minnesota Statutes 2010, section 290.01, subdivision 31, as amended by Laws 2011, chapter 8, section 5, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2010, and after December 31, 2010,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010;~~ and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment except that the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 7. Minnesota Statutes 2010, 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 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or adjusted gross income, whichever is greater, in excess of \$17,890, 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, including income excluded under section 290.01, subdivision 19b, clause (9) or (15), 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. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 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 "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h) For tax years beginning after December 31, 2010, and before January 1, 2013, the \$5,770 in paragraph (b), the \$15,800 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, the commissioner shall annually adjust the \$5,000 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 "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

~~(i)~~ (i) 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, 2010.

Sec. 8. Minnesota Statutes 2010, 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, to the extent included in Minnesota taxable income:

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

- (2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and
- (3) 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 minus the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii) one-half the amount of the standard deduction under section 63(c)(2)(A) and (4) of the Internal Revenue Code minus one-half of any addition required under section 290.01, subdivision 19a, clause (20), and one-half of the addition that would have been required under section 290.01, subdivision 19a, clause (20), if the taxpayer had claimed the standard deduction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 9. Minnesota Statutes 2010, section 290A.03, subdivision 15, as amended by Laws 2011, chapter 8, section 6, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2010, and rent paid after December 31, 2009.

Sec. 10. Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~March 18~~ December 31, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16, as amended by Public Law 111-312, and section 301(c) of Public Law 111-312.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

(5) "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.

(6) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(7) "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.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "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.

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

ARTICLE 3 SALES AND USE TAX

Section 1. Minnesota Statutes 2010, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy;

(4) dietary supplements; and

(5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise. A sale and purchase also includes the right to access and use prewritten computer software for a consideration, where possession of the software is maintained by the seller or third party, regardless of whether the consideration is paid on a per use, per user, per license, subscription, or some other basis.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, amusement events, exhibitions, selling events, recreational areas, or athletic events, including the rental of box seats and suites, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities. "Exhibitions" includes, but is not limited to, trade shows, boat shows, home shows, garden shows, and other similar events. "Selling events" includes, but is not limited to, flea markets, estate sales, auctions, and other similar events;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice and including accommodations intermediary service provided in connection with other services provided under this clause;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction, and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable.

For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

For purposes of clause (5), "road construction" means construction of (1) public roads, (2) cartways, and (3) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, cable television services, and direct satellite services, ~~and ring tones~~. Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011, except the changes made to paragraph (g), clause (2), are effective the day following final enactment.

Sec. 2. Minnesota Statutes 2010, section 297A.61, subdivision 25, is amended to read:

Subd. 25. **Cable television service.** "Cable television service" means the transmission of video, audio, or other programming service to purchasers, and the subscriber interaction, if any, required for the selection or use of the programming service, regardless of whether the programming is transmitted over facilities owned or operated by the cable service provider or over facilities owned or operated by one or more dealers of communications services. The term includes point-to-multipoint distribution services by which programming is transmitted or broadcast by microwave or other equipment directly to the subscriber's premises. The term includes basic, extended, premium, pay-per-view, ~~digital~~, and music services.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 3. Minnesota Statutes 2010, section 297A.61, subdivision 27, is amended to read:

Subd. 27. **Direct satellite service.** "Direct satellite service" means the transmission of video, audio, or other programming services transmitted or broadcast by satellite directly to the subscriber's premises subscriber without the use of ground receiving or distribution equipment, except at the subscriber's premises subscriber location or in the uplink process to the satellite. The term also includes any subscriber interaction, if any, required for the selection or use of the programming service as well as any point-to-multipoint distribution services transmitted or broadcast by satellite or other equipment directly to the subscriber. The term includes any and all service packages and formats as well as pay-per-view, digital video recorder, and digital music services.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 4. Minnesota Statutes 2010, section 297A.61, is amended by adding a subdivision to read:

Subd. 47. **Accommodations intermediary.** "Accommodations intermediary" means any person or entity, other than an accommodations provider, that facilitates the sale of lodging as defined in subdivision 3, paragraph (g), clause (2), and that charges a room charge to a customer. The term "facilitates the sale" includes brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer.

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

Sec. 5. Minnesota Statutes 2010, section 297A.61, is amended by adding a subdivision to read:

Subd. 48. **Accommodations provider.** "Accommodations provider" means any person or entity that furnishes lodging as defined in subdivision 3, paragraph (g), clause (2), to the general public for compensation. The term "furnishes" includes the sale of use or possession, or the sale of the right to use or possess.

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

Sec. 6. Minnesota Statutes 2010, section 297A.64, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.002, subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as defined in section 168.002, subdivision 26. The rate of tax is ~~6.2~~ 7.2 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.

EFFECTIVE DATE. This section is effective for leases or rentals entered into after June 30, 2011.

Sec. 7. Minnesota Statutes 2010, section 297A.66, is amended by adding a subdivision to read:

Subd. 4a. **Solicitor.** (a) A retailer is presumed to have a solicitor in this state if it enters into an agreement with a resident under which the resident, for a commission or other consideration, directly or indirectly refers potential customers, whether by a link on an Internet Web site, or otherwise, to the seller. This paragraph only applies if the total gross receipts from sales to customers located in this state who were referred to the retailer by all residents with this type of agreement with the retailer are at least \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter before the calendar quarter in which the sale is made.

(b) The presumption under paragraph (a) may be rebutted by proof that the resident with whom the retailer has an agreement did not engage in any solicitation in this state on behalf of the retailer that would satisfy the nexus requirements of the United States Constitution during the 12-month period in question. Nothing in this section shall be construed to narrow the scope of the terms affiliate, agent, salesperson, canvasser, or other representative for purposes of subdivision 1, paragraph (a).

(c) For purposes of this paragraph, "resident" includes an individual who is a resident of this state, as defined in section 290.01, or a business that owns tangible personal property located in this state or has one or more employees providing services for it in this state.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 8. Minnesota Statutes 2010, section 297A.66, is amended by adding a subdivision to read:

Subd. 6. **Lodging services.** An accommodations intermediary shall collect sales tax and remit it to the commissioner under section 297A.77 for services provided in connection with or for lodging located in this state.

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

Sec. 9. Minnesota Statutes 2010, section 297A.668, is amended by adding a subdivision to read:

Subd. 9. **Florist sales.** (a) Notwithstanding other subdivisions of this section, the retail sale of "florist sales" is sourced as follows:

(1) When a Minnesota retailer takes a florist sales order directly from a customer, whether or not the customer is physically present in Minnesota when placing the order, and delivers the items to the customer or a third person, either within this state or outside this state, and regardless of the delivery method, the florist sale is sourced according to subdivision 2.

(2) When one retailer transmits a florist sales order to another retailer of florist sales through a floral network service or floral delivery association, whether by telephone, telegraph, Internet, or other means of communication, the florist sale is sourced to the location of the retailer which originally takes the order from the customer and accepts payment.

(b) For purposes of this subdivision, florist sales means sales at retail of flowers, wreaths, floral bouquets, potted plants, hospital baskets, funeral designs, seeds, nursery seedling stock, trees, shrubs, plants, sod, soil, bulbs, sand, rock, and all other floral or nursery products.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 10. Minnesota Statutes 2010, section 297A.70, subdivision 6, is amended to read:

Subd. 6. **Ambulances.** The lease of a motor vehicle ~~for use as an ambulance~~ by an ambulance service licensed under section 144E.10 that is equipped and specifically intended for emergency response or for providing ambulance services is exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 11. Minnesota Statutes 2010, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

(g) The revenues deposited under paragraphs (a) to (f) do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

(h) The commissioner shall deposit 13.89 percent of the revenues collected under section 297A.64, subdivision 1, in the state treasury and credit them to a special revenue fund dedicated to Explore Minnesota Tourism for promotional and marketing purposes under chapter 116U.

EFFECTIVE DATE. This section is effective for leases or rentals entered into after June 30, 2011.

Sec. 12. Minnesota Statutes 2010, 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.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country 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 and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(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, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code;

(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 when that vehicle is equipped and specifically intended for emergency response or for providing ambulance services;

(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, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, 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;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax; and

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

- (i) described in section 501(c)(3) of the Internal Revenue Code; and
- (ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4.

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

Sec. 13. **REVISOR'S INSTRUCTION.**

In Minnesota Rules, part 8130.9700, the revisor of statutes shall remove the last sentence in subpart 3, item B, that reads "Use of equipment on a time-sharing basis, where access to the equipment is only by means of remote access facilities, is not taxable leasing of such equipment."

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 14. **REPEALER.**

Minnesota Rules, part 8130.0500, subpart 2, is repealed.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

ARTICLE 4
SPECIAL TAXES

Section 1. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 2a. **Affiliated group.** "Affiliated group" means a group that includes the insured and any entity, or group of entities, that controls, is controlled by, or is under common control with the insured. An entity has control over another entity when: (1) the entity directly or indirectly or acting through one or more other persons owns, controls, or has the power to vote 25 percent or more of any class of voting securities of the other entity; or (2) the entity controls in any manner the election of a majority of the directors or trustees of the other entity.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 2. Minnesota Statutes 2010, section 297I.01, subdivision 9, is amended to read:

Subd. 9. **Gross premiums.** "Gross premiums" means total premiums paid by policyholders and applicants of policies, whether received in the form of money or other valuable consideration, on property, persons, lives, interests and other risks located, resident, or to be performed in this state, but excluding consideration and premiums for reinsurance assumed from other insurance companies.

(a) "Gross premiums" includes the total consideration paid to bail bond agents for bail bonds.

(b) For title insurance companies, "gross premiums" means the charge for title insurance made by a title insurance company or its agents according to the company's rate filing approved by the commissioner of commerce without a deduction for commissions paid to or retained by the agent. Gross premiums of a title insurance company does not include any other charge or fee for abstracting, searching, or examining the title, or escrow, closing, or other related services.

(c) "Gross premiums" includes any workers' compensation special compensation fund premium surcharge pursuant to section 176.129.

(d) "Gross premiums" for ~~surplus lines~~ nonadmitted insurance includes ~~all related charges, commissions, and fees received by the licensee~~ any payment made as consideration for an insurance contract for such insurance, including premium deposits, assessments, fees, and any other compensation given in consideration for a contract of insurance. Gross premiums does not include the stamping fee, as provided under section 60A.2085, subdivision 7, nor the operating assessment, as provided under section 60A.208, subdivision 8.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 3. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 10a. **Home state.** "Home state" means the state in which an insured maintains its principal place of business, or in the case of an individual, the individual's principal residence; or if 100 percent of the insured risk is located out of the state, the state to which the greatest percentage of the insured's taxable premium for that insurance contract is allocated. If more than one insured from an affiliated group are named insureds on a single nonadmitted insurance contract, the term home state means the home state of the member of the affiliated group that has the largest percentage of premium attributed to it under that insurance contract.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 4. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 10b. **Independently procured insurance.** "Independently procured insurance" means insurance procured directly by an insured from a nonadmitted insurer.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 5. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 10c. **Nonadmitted insurance.** "Nonadmitted insurance" means any property and casualty insurance permitted to be placed directly or through a surplus lines broker with a nonadmitted insurer.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 6. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 10d. **Nonadmitted insurance premium tax.** "Nonadmitted insurance premium tax" means, with respect to surplus lines or independently procured insurance coverage, any tax, fee, assessment, or other charge imposed directly or indirectly by a government entity.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 7. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 10e. **Nonadmitted insurer.** "Nonadmitted insurer" means an insurer not licensed to engage in the business of insurance in Minnesota, but does not include a risk retention group as the term is defined in section 2(a)(4) of the Liability Risk Retention Act of 1986, United States Code, title 15, section 3901(a)(4).

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 8. Minnesota Statutes 2010, section 297I.01, is amended by adding a subdivision to read:

Subd. 15a. **Surplus lines broker.** "Surplus lines broker" means an individual, firm, or corporation which is licensed in a state to sell, solicit, or negotiate insurance on properties, risks, or exposures located or to be performed in a state with nonadmitted insurers.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 9. Minnesota Statutes 2010, section 297I.01, subdivision 16, is amended to read:

Subd. 16. **Taxpayer.** "Taxpayer" means any insurance company, association, surplus lines licensee broker, automobile risk self-insurer, or insured or any other person or entity required to pay any amount due under this chapter.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 10. Minnesota Statutes 2010, section 297I.05, subdivision 7, is amended to read:

Subd. 7. ~~Surplus lines~~ **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus lines licensees brokers. The rate of tax is equal to three percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(b) ~~If surplus lines insurance placed by a surplus lines licensee and taxed under this subdivision covers a subject of insurance residing, located, or to be performed outside this state, a proper pro rata portion of the entire premium payable for all of that insurance must be allocated according to the subjects of insurance residing, located, or to be performed in this state.~~ A tax is imposed on persons, firms, or corporations that procure insurance directly from a nonadmitted insurer. The rate of tax is equal to two percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(c) No state other than the home state of an insured may require any premium tax payment for nonadmitted insurance. When Minnesota is the home state of the insured, as provided under section 297I.01, 100 percent of the gross premiums are taxable in Minnesota with no allocation of the tax to other states.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 11. Minnesota Statutes 2010, section 297I.05, subdivision 12, is amended to read:

Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

(1) gross premiums less return premiums written for risks resident or located in Minnesota by a risk retention group;

(2) gross premiums less return premiums received by an attorney in fact acting in accordance with chapter 71A;

(3) gross premiums less return premiums received pursuant to assigned risk policies and contracts of coverage under chapter 79;

(4) the direct funded premium received by the reinsurance association under section 79.34 from self-insurers approved under section 176.181 and political subdivisions that self-insure; and

(5) gross premiums less return premiums paid to an insurer other than a licensed insurance company or a surplus lines ~~licensee broker~~ for coverage of risks resident or located in Minnesota by a purchasing group or any members of the purchasing group to a broker or agent for the purchasing group.

(b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The rate of tax is equal to two percent of the total amount of claims paid during the fund year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(c) A tax is imposed on a joint self-insurance plan operating under chapter 62H. The rate of tax is equal to two percent of the total amount of claims paid during the fund's fiscal year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5, on the gross premiums less return premiums on all coverages received by an accountable provider network or agents of an accountable provider network in Minnesota, in cash or otherwise, during the year.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 12. Minnesota Statutes 2010, section 297I.30, subdivision 1, is amended to read:

Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to taxation under section 297I.05, subdivisions 1 to 5, ~~9, 10~~ 7, paragraph (b), 12, paragraphs (a), clauses (1) to (4), (b), (c), and (d), and 14, shall file an annual return for the preceding calendar year in the form prescribed by the commissioner.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 13. Minnesota Statutes 2010, section 297I.30, subdivision 2, is amended to read:

Subd. 2. **Surplus lines ~~licensees~~ brokers and purchasing groups.** On or before February 15 and August 15 of each year, every surplus lines ~~licensee broker~~ subject to taxation under section 297I.05, subdivision 7, paragraph (a), and every purchasing group or member of a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a), clause (5), shall file a return with the commissioner for the preceding six-month period ending December 31, or June 30, in the form prescribed by the commissioner.

EFFECTIVE DATE. This section is effective for nonadmitted insurance policies that go into effect after July 20, 2011.

Sec. 14. **REPEALER.**

(a) Minnesota Statutes 2010, section 297F.14, subdivision 4, is repealed.

(b) Minnesota Statutes 2010, section 297I.05, subdivisions 9 and 10, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective for claims filed after June 30, 2011. Paragraph (b) is effective for nonadmitted insurance policies that go into effect after July 20, 2011."

Delete the title and insert:

"A bill for an act relating to taxation; making policy, technical, administrative, enforcement, and other changes to individual income, corporate franchise, estate, sales and use, insurance, and other taxes and tax-related provisions; conforming to changes made to the Internal Revenue Code; amending Minnesota Statutes 2010, sections 270C.01, by adding subdivisions; 270C.03, subdivision 1; 289A.02, subdivision 7, as amended; 289A.08, subdivision 3; 289A.60, by adding a subdivision; 290.01, subdivisions 7, 19, as amended, 19a, as amended, 19b, 19c, as amended, 19d, 22, 29, 31, as amended; 290.014, subdivision 5; 290.05, subdivision 1; 290.06, subdivisions 2c, 2d, 22; 290.0671, subdivision 1; 290.0675, subdivision 1; 290.068, subdivisions 1, 2; 290.0921, subdivisions 1, 2, 3, 6; 290.0922, subdivisions 1, 2; 290.093; 290.095, subdivisions 2, 3; 290.17, subdivisions 1, 2, 3, 4; 290.191, subdivisions 2, 5; 290.21, subdivision 4; 290.9201, subdivision 11; 290A.03, subdivision 15, as amended; 291.005, subdivision 1; 297A.61, subdivisions 3, 25, 27, by adding subdivisions; 297A.64, subdivision 1; 297A.66, by adding subdivisions; 297A.668, by adding a subdivision; 297A.70, subdivision 6; 297A.94; 297B.03; 297I.01, subdivisions 9, 16, by adding subdivisions; 297I.05, subdivisions 7, 12; 297I.20, subdivision 1; 297I.30, subdivisions 1, 2; proposing coding for new law in Minnesota Statutes, chapters 270C; 290; repealing Minnesota Statutes 2010, sections 290.01, subdivision 6b; 290.0678; 290.9201, subdivision 3; 297F.14, subdivision 4; 297I.05, subdivisions 9, 10; Minnesota Rules, part 8130.0500, subpart 2."

Signed:

SARAH ANDERSON

MARY LIZ HOLBERG

Anderson, S., moved that the Minority Report on H. F. No. 1261 be substituted for the Majority Report and that the Minority Report be now adopted.

A roll call was requested and properly seconded.

The Speaker called Davids to the Chair.

Champion was excused between the hours of 12:50 p.m. and 2:15 p.m.

POINT OF ORDER

Hosch raised a point of order pursuant to rule 2.32 relating to Order in Debate. Speaker pro tempore Davids ruled the point of order well taken.

Speaker pro tempore Davids called Holberg to the Chair.

The Speaker resumed the Chair.

The Speaker called Westrom to the Chair.

Rukavina was excused between the hours of 3:20 p.m. and 8:05 p.m.

CALL OF THE HOUSE

On the motion of Hilstrom and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Abeler	Dettmer	Hausman	Leidiger	Murdock	Shimanski
Anderson, B.	Dill	Hayden	LeMieur	Murphy, E.	Simon
Anderson, D.	Dittrich	Hilstrom	Lenczewski	Murphy, M.	Slawik
Anderson, P.	Doepke	Hilty	Lesch	Murray	Slocum
Anderson, S.	Downey	Holberg	Liebling	Myhra	Smith
Anzelc	Drazkowski	Hoppe	Lillie	Nelson	Stensrud
Atkins	Eken	Hornstein	Loeffler	Nornes	Swedzinski
Banaian	Erickson	Hortman	Lohmer	Norton	Thissen
Barrett	Fabian	Hosch	Loon	O'Driscoll	Tillberry
Benson, J.	Falk	Howes	Mack	Paymar	Torkelson
Benson, M.	Franson	Huntley	Mahoney	Pelowski	Urdahl
Bills	Fritz	Kahn	Mariani	Peppin	Vogel
Brynaert	Gauthier	Kath	Marquart	Persell	Wagenius
Buesgens	Gottwalt	Kelly	Mazorol	Petersen, B.	Ward
Carlson	Greene	Kieffer	McDonald	Peterson, S.	Wardlow
Champion	Greiling	Kiel	McElfatrick	Poppe	Westrom
Clark	Gruenhagen	Kiffmeyer	McFarlane	Quam	Winkler
Crawford	Gunther	Knuth	McNamara	Runbeck	Woodard
Daudt	Hackbarth	Koenen	Melin	Sanders	Spk. Zellers
Davids	Hamilton	Kriesel	Moran	Scalze	
Davnie	Hancock	Laine	Morrow	Schomacker	
Dean	Hansen	Lanning	Mullery	Scott	

Dean moved that further proceedings of the roll call be suspended and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

The question recurred on the adoption of the Minority Report on H. F. No. 1261 and the roll was called. There were 60 yeas and 73 nays as follows:

Those who voted in the affirmative were:

Anzelc	Eken	Hilty	Laine	Moran	Poppe
Atkins	Falk	Hornstein	Lenczewski	Morrow	Scalze
Benson, J.	Fritz	Hortman	Lesch	Mullery	Simon
Brynaert	Gauthier	Hosch	Liebling	Murphy, E.	Slawik
Carlson	Greene	Huntley	Lillie	Murphy, M.	Slocum
Champion	Greiling	Johnson	Loeffler	Nelson	Thissen
Clark	Hansen	Kahn	Mahoney	Norton	Tillberry
Davnie	Hausman	Kath	Mariani	Paymar	Wagenius
Dill	Hayden	Knuth	Marquart	Persell	Ward
Dittrich	Hilstrom	Koenen	Melin	Peterson, S.	Winkler

Those who voted in the negative were:

Abeler	Daudt	Gunther	Leidiger	Nornes	Swedzinski
Anderson, B.	Davids	Hackbarth	LeMieur	O'Driscoll	Torkelson
Anderson, D.	Dean	Hamilton	Lohmer	Pelowski	Urdahl
Anderson, P.	Dettmer	Hancock	Loon	Peppin	Vogel
Anderson, S.	Doepke	Holberg	Mack	Petersen, B.	Wardlow
Banaian	Downey	Hoppe	Mazorol	Quam	Westrom
Barrett	Drazkowski	Howes	McDonald	Runbeck	Woodard
Beard	Erickson	Kelly	McElpatrick	Sanders	Spk. Zellers
Benson, M.	Fabian	Kieffer	McFarlane	Schomacker	
Bills	Franson	Kiel	McNamara	Scott	
Buesgens	Garofalo	Kiffmeyer	Murdock	Shimanski	
Cornish	Gottwalt	Kriesel	Murray	Smith	
Crawford	Gruenhagen	Lanning	Myhra	Stensrud	

The motion did not prevail and the Minority Report on H. F. No. 1261 was not adopted.

The Speaker resumed the Chair.

The question recurred on the adoption of the Majority Report from the Committee on Ways and Means relating to H. F. No. 1261. The Majority Report on H. F. No. 1261 was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 1423, A bill for an act relating to human services; providing for adoption assistance reform, child protection, child support, and technical and conforming amendments; amending Minnesota Statutes 2010, sections 256.01, subdivision 14b; 257.01; 257.75, subdivision 7; 259.73; 260.012; 260C.001; 260C.007, subdivision 4, by adding subdivisions; 260C.101, subdivision 2; 260C.150, subdivision 1; 260C.157, subdivisions 1, 3; 260C.163, subdivisions 1, 4, 8; 260C.178, subdivisions 1, 7; 260C.193, subdivisions 3, 6; 260C.201, subdivisions 2, 10; 260C.212, subdivisions 5, 7; 260C.215, subdivisions 4, 6; 260C.301, subdivisions 1, 8; 260C.328; 260C.451; 260D.08; 518C.205; 626.556, subdivisions 2, 10, 10e, 10f, 10i, 10k; proposing coding for new law in Minnesota Statutes, chapters 260C; 611; proposing coding for new law as Minnesota Statutes, chapter 259A.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

H. F. No. 1611, A bill for an act relating to agriculture; changing certain programs, requirements, fees, and duties; appropriating money; amending Minnesota Statutes 2010, sections 18B.03, subdivision 1, as amended; 18B.065, by adding a subdivision; 18B.316, subdivision 6; 18G.07, subdivision 1; 18G.10, subdivisions 5, 7, by adding a subdivision; 18H.07, subdivisions 2, 3; 18H.10; 18H.14; 21.82, subdivisions 7, 8; 35.0661, subdivisions 2, 3; 41A.105, by adding a subdivision; 41A.12, subdivisions 2, 4; 115.03, by adding a subdivision; 116.07, subdivision 7d; 223.17, subdivision 6; 232.22, subdivisions 3, 4, 5; 232.23, subdivision 10; 232.24, subdivisions 1, 2; 236.02, subdivision 5, by adding a subdivision; Laws 2011, chapter 14, section 6; proposing coding for new law as Minnesota Statutes, chapter 32C; repealing Minnesota Statutes 2010, sections 17B.01; 17B.02; 17B.03; 17B.04;

17B.041; 17B.0451; 17B.048; 17B.05; 17B.06; 17B.07; 17B.10; 17B.11; 17B.12; 17B.13; 17B.14; 17B.15, subdivisions 1, 3; 17B.16; 17B.17; 17B.18; 17B.20; 17B.22, subdivisions 1, 2; 17B.28; 17B.29; 232.24, subdivision 3; 395.14; 395.15; 395.16; 395.17; 395.18; 395.19; 395.20; 395.21; 395.22; 395.23; 395.24; Minnesota Rules, parts 1505.0780; 1505.0810; 1562.0100, subparts 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25; 1562.0200; 1562.0700, subparts 1b, 3; 1562.0900; 1562.1300.

Reported the same back with the following amendments:

Page 21, delete section 36

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, delete "appropriating money;"

With the recommendation that when so amended the bill pass.

The report was adopted.

Holberg from the Committee on Ways and Means to which was referred:

S. F. No. 346, A bill for an act relating to the Mississippi River Parkway Commission; changing its expiration date; amending Minnesota Statutes 2010, section 161.1419, subdivision 8.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2010, section 161.1419, subdivision 8, is amended to read:

Subd. 8. **Expiration.** The commission expires on June 30, ~~2012~~ 2016."

Delete the title and insert:

"A bill for an act relating to the Mississippi River Parkway Commission; changing its expiration date; amending Minnesota Statutes 2010, section 161.1419, subdivision 8."

With the recommendation that when so amended the bill pass.

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. Nos. 191, 211, 637, 650, 705, 1025, 1068, 1261, 1423 and 1611 were read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 134, 301, 1009, 1083, 1143, 1265, 1285 and 346 were read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Dill introduced:

H. F. No. 1718, A bill for an act relating to capital investment; appropriating money for repairs to an elevator shaft in Soudan Underground Mine State Park; authorizing the sale and issuance of bonds.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

Gauthier, Smith, Johnson and Slocum introduced:

H. F. No. 1719, A bill for an act relating to public safety; adding the term drug and modifying the term hazardous substance for driving while impaired crimes; amending Minnesota Statutes 2010, sections 169A.03, by adding a subdivision; 169A.20, subdivisions 1, 1a, 1b, 1c; repealing Minnesota Statutes 2010, section 169A.03, subdivision 9.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

Mullery introduced:

H. F. No. 1720, A bill for an act relating to state government; creating a council on the Rev. Dr. Martin Luther King, Jr. Holiday; proposing coding for new law in Minnesota Statutes, chapter 10.

The bill was read for the first time and referred to the Committee on Government Operations and Elections.

Gunther introduced:

H. F. No. 1721, A bill for an act relating to economic development; authorizing redevelopment demolition loans; amending Minnesota Statutes 2010, sections 116J.571; 116J.572; 116J.575, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 116J.

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance.

MESSAGES FROM THE SENATE

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:

H. F. No. 724, A bill for an act relating to highways; removing Route No. 332 from trunk highway system; repealing Minnesota Statutes 2010, section 161.115, subdivision 263.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 201, A bill for an act relating to health; limiting use of funds for state-sponsored health programs for funding abortions.

The Senate has appointed as such committee:

Senators Thompson, Hall and Stumpf.

Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 936, A bill for an act relating to health; prohibiting abortions at or after 20 weeks postfertilization age unless certain exceptions apply; providing civil and criminal penalties; amending Minnesota Statutes 2010, section 145.4131, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 8; 145.

The Senate has appointed as such committee:

Senators Hoffman, Kubly and Gazelka.

Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 1326, A bill for an act relating to liquor; authorizing brewer taproom licenses; allowing a bed and breakfast to serve Minnesota beer; making clarifying, technical, and other changes to certain license provisions; authorizing the issuance of certain on-sale and off-sale licenses; amending Minnesota Statutes 2010, sections 340A.301, by adding a subdivision; 340A.4011, subdivision 2; 340A.404, subdivision 7, by adding subdivisions; 340A.412, subdivisions 4, 14.

The Senate has appointed as such committee:

Senators Gerlach, Dahms and Scheid.

Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce the Senate refuses to concur in the House amendments to the following Senate File:

S. F. No. 1363, A bill for an act relating to state government; appropriating money from the outdoor heritage fund; appropriating money from the clean water fund; appropriating money from the parks and trails fund; appropriating money from the arts and cultural heritage fund; modifying certain outdoor heritage provisions; modifying the Clean Water Legacy Act; revising the Clean Water Council; providing appointments; amending Minnesota Statutes 2010, sections 10A.01, subdivision 35; 85.013, by adding a subdivision; 85.53, subdivisions 1, 5; 85.535, subdivision 1; 97A.056, subdivisions 2, 3, 5, 6, 9, 10, by adding a subdivision; 114D.10; 114D.20, subdivisions 1, 2, 3, 6, 7; 114D.35; 114D.50, subdivision 6; 116.195; 129D.18, subdivision 4; 129D.19, subdivision 5; Laws 2009, chapter 172, article 1, section 2, subdivisions 3, 15; Laws 2010, chapter 361, article 1, section 2, subdivision 14; proposing coding for new law in Minnesota Statutes, chapter 114D; repealing Minnesota Statutes 2010, sections 84.02, subdivisions 1, 2, 3, 4, 5, 6, 7, 8; 114D.30; 114D.45.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Senators Ingebrigtsen, Pederson, Nelson, Cohen and Hall.

Said Senate File is herewith transmitted to the House with the request that the House appoint a like committee.

CAL R. LUDEMAN, Secretary of the Senate

Urdahl moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 5 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 1363. The motion prevailed.

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 149, 54, 530, 885, 1234 and 1270.

CAL R. LUDEMAN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 149, A bill for an act relating to civil actions; modifying remedies related to certain unlawful or deceptive trade practice actions; permitting appeals of certain court orders related to class actions; amending Minnesota Statutes 2010, section 8.31, subdivision 3a, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 540.

The bill was read for the first time.

Wardlow moved that S. F. No. 149 and H. F. No. 211, now on the General Register, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 54, A bill for an act relating to claims against the state; providing for settlement of certain claims; appropriating money.

The bill was read for the first time.

Smith moved that S. F. No. 54 and H. F. No. 104, now on the General Register, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 530, A bill for an act relating to civil actions; regulating interest on verdicts, awards, and judgments; amending Minnesota Statutes 2010, section 549.09, subdivisions 1, 2.

The bill was read for the first time and referred to the Committee on Judiciary Policy and Finance.

S. F. No. 885, A bill for an act relating to legislative enactments; correcting erroneous, ambiguous, and omitted text and obsolete references; removing redundant, conflicting, and superseded provisions; making miscellaneous corrections to laws, statutes, and rules; amending Minnesota Statutes 2010, sections 5.15; 13.04, subdivision 4a; 13.319, subdivision 1; 13.3806, by adding a subdivision; 13.381, subdivision 1; 13.411, subdivision 1; 13.4967, subdivision 1; 13.607, subdivision 1; 13.6401, subdivision 1, by adding a subdivision; 13.6905, subdivision 1, by adding a subdivision; 13.7191, subdivision 1, by adding a subdivision; 13.785, subdivision 1; 13.7931, subdivision 1; 13.841, subdivision 1, by adding a subdivision; 13.851, subdivision 1, by adding a subdivision; 15B.24, subdivision 1; 60A.121, subdivision 5; 82.67, subdivision 3; 115A.072, subdivision 1; 115A.908, subdivision 2; 115B.25, subdivision 8; 115B.34, subdivision 1; 116W.03, subdivision 5; 120B.022, subdivision 1; 121A.15, subdivisions 8, 9; 123B.72, subdivision 3; 123B.76, subdivision 3; 125A.027, subdivision 4; 125A.29; 125A.56, subdivision 1; 127A.45, subdivision 12; 152.027, subdivision 4; 168.1293, subdivision 5; 168D.01, subdivision 4; 168D.02, subdivision 1; 169.771, subdivision 1; 174.82; 203B.06, subdivision 3; 204B.34, subdivision 1; 204C.13, subdivision 6; 205A.10, subdivision 2; 216B.1691, subdivision 5; 216B.1692, subdivisions 1, 2; 216C.01, subdivision 1a; 219.01; 239.002; 244.11, subdivision 3; 245B.031, subdivision 5; 256B.0625, subdivision 14;

260D.07; 268.046, subdivision 1; 273.054; 273.063; 273.1103; 279.33; 295.75, subdivision 9; 297I.01, subdivision 16; 299F.56, subdivisions 11, 16; 299F.57, subdivision 1; 299J.03, subdivision 2; 299M.03, subdivision 2; 326B.118; 326B.986, subdivision 4; 326B.992; 383D.411; 394.21, subdivision 3; 394.232; 462.3535, subdivisions 1, 8; 466.07, subdivision 1; 501B.16; 514.977; 515B.1-102; 517.08, subdivision 1b; 518D.314; 524.1-304; 572A.01, subdivision 1; 572A.02, subdivisions 5, 6; 572A.03, subdivision 2; 576.011, subdivision 1; 580.041, subdivision 2; 580.06, subdivision 2; 609.485, subdivision 2; 609.5314, subdivision 3; 609.902, subdivision 4; 611A.033; 628.56; 628.63; 628.68; 630.18; 631.05; Laws 2009, chapter 88, article 2, section 43; Laws 2010, chapter 184, section 18; Laws 2010, chapter 280, section 40; Laws 2010, chapter 382, section 87, subdivision 8; Laws 2010, chapter 389, article 1, sections 7; 8; 9; repealing Minnesota Statutes 2010, sections 462.3535, subdivisions 9, 10; 626.8441, subdivision 1; Laws 2006, chapter 259, article 13, section 10; Laws 2008, chapter 202, section 10; Laws 2009, chapter 82, section 2; Laws 2010, chapter 184, section 7; Laws 2010, chapter 310, article 6, section 1; article 16, section 2; Laws 2010, chapter 359, article 12, section 18; Laws 2010, chapter 392, article 1, section 6; Laws 2010, First Special Session chapter 1, article 15, section 8; Minnesota Rules, part 7890.0120, subpart 3.

The bill was read for the first time.

Wardlow moved that S. F. No. 885 and H. F. No. 1220, now on the General Register, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1234, A bill for an act relating to the secretary of state; simplifying certain certificates issued to business entities; modifying provisions governing certain contracts entered into by nonprofit corporations; modifying effective date of resignations of agents; revising notice provided to organizations; allowing use of an alternate name; redefining business entities; eliminating issuance of certificates to business trusts and municipal power agencies; amending Minnesota Statutes 2010, sections 5.001, subdivision 2; 302A.711, subdivision 4; 302A.734, subdivision 2; 302A.751, subdivision 1; 303.08, subdivision 2; 303.17, subdivisions 2, 3, 4; 317A.255, subdivision 1; 317A.711, subdivision 4; 317A.733, subdivision 4; 317A.751, subdivision 3; 318.02, subdivisions 1, 2; 321.0809; 321.0906; 322B.826, subdivision 2; 322B.935, subdivisions 2, 3; 323A.1102; 453.53, subdivision 2; 453A.03, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 323A; repealing Minnesota Statutes 2010, sections 302A.801; 302A.805; 308A.151; 317A.022, subdivision 1; 317A.801; 317A.805; 318.02, subdivision 5.

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration.

S. F. No. 1270, A bill for an act relating to state government; changing a provision in geospatial advisory council and extending the expiration date; amending Minnesota Statutes 2010, section 16B.99, subdivision 8; repealing Minnesota Statutes 2010, section 16B.99, subdivision 9.

The bill was read for the first time.

Kahn moved that S. F. No. 1270 and H. F. No. 1411, now on the Calendar for the Day, be referred to the Chief Clerk for comparison. The motion prevailed.

ANNOUNCEMENT BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 1363:

Urdahl, McFarlane, McNamara, Torkelson and Murphy, M.

**REPORT FROM THE COMMITTEE ON RULES
AND LEGISLATIVE ADMINISTRATION**

Dean from the Committee on Rules and Legislative Administration, pursuant to rule 1.21, designated the following bills to be placed on the Calendar for the Day for Tuesday, May 17, 2011:

H. F. Nos. 1500, 1358 and 1270; S. F. Nos. 955 and 249; and H. F. Nos. 1408, 122, 1384 and 264.

CALL OF THE HOUSE LIFTED

Dean moved that the call of the House be lifted. The motion prevailed and it was so ordered.

Dean 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 the Speaker.

Laine was excused between the hours of 6:05 p.m. and 7:55 p.m.

There being no objection, the order of business reverted to Messages from the Senate.

MESSAGES FROM THE SENATE

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:

H. F. No. 1425, A bill for an act relating to redistricting; adopting a legislative districting plan for use in 2012 and thereafter; amending Minnesota Statutes 2010, sections 2.031, subdivision 1; 2.91, subdivision 1; repealing Minnesota Statutes 2010, sections 2.031, subdivision 2; 2.444; 2.484.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 1426, A bill for an act relating to redistricting; adopting a congressional districting plan for use in 2012 and thereafter; adopting districting principles for legislative and congressional districts; amending Minnesota Statutes 2010, sections 2.731; 2.91, subdivision 1; repealing Minnesota Statutes 2010, section 2.031, subdivision 2.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 302, 361, 1266, 1183 and 1205.

CAL R. LUDEMAN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 302, A bill for an act relating to insurance; regulating dental provider contracts and provider audits; amending Minnesota Statutes 2010, sections 62Q.76, by adding a subdivision; 62Q.78, by adding subdivisions.

The bill was read for the first time.

Davids moved that S. F. No. 302 and H. F. No. 122, now on the Calendar for the Day, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 361, A bill for an act relating to state government; Mitochondrial Disease Awareness Week; proposing coding for new law in Minnesota Statutes, chapter 10.

The bill was read for the first time.

Hamilton moved that S. F. No. 361 and H. F. No. 287, now on the General Register, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1266, A bill for an act relating to state government; making changes to state government resource recovery program; amending Minnesota Statutes 2010, section 115A.15, subdivisions 2, 9, 10; repealing Minnesota Statutes 2010, section 115A.15, subdivisions 4, 6.

The bill was read for the first time.

Stensrud moved that S. F. No. 1266 and H. F. No. 1470, now on the Calendar for the Day, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1183, A bill for an act relating to civil law; restoring state and local government tort liability limits to pre-2008 levels in certain instances; prohibiting state and local government contracts that require contractors to provide liability insurance or other security in excess of those limits; amending Minnesota Statutes 2010, sections 3.736, subdivision 4; 466.04, subdivisions 1, 3.

The bill was read for the first time and referred to the Committee on Judiciary Policy and Finance.

S. F. No. 1205, A bill for an act relating to energy; eliminating certain allocations and temporarily prohibiting approval of certain expenditures from renewable development account; amending Minnesota Statutes 2010, section 116C.779, subdivisions 1, 3.

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance.

The following Conference Committee Reports were received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 42

A bill for an act relating to the financing and operation of state and local government; making changes to individual income, corporate franchise, property, aids, credits, payments, refunds, sales and use, tax increment financing, aggregate material, minerals, local, and other taxes and tax-related provisions; making changes to the green acres and rural preserve programs; authorizing border city development zone powers and local taxes; extending levy limits; modifying regional railroad authority provisions; repealing sustainable forest resource management incentive; authorizing grants to local governments for cooperation, consolidation, and service innovation; providing a science and technology program; reducing certain income rates; allowing capital equipment exemption at time of purchase; directing commissioner of revenue to negotiate a reciprocity agreement with state of Wisconsin and permitting its termination only by law; requiring studies; requiring reports; canceling amounts in the cash flow account; appropriating money; amending Minnesota Statutes 2010, sections 97A.061, subdivisions 1, 3; 126C.01, subdivision 3; 270A.03, subdivision 7; 270B.12, by adding a subdivision; 270C.13, subdivision 1; 272.02, by adding a subdivision; 273.111, subdivision 9, by adding a subdivision; 273.114, subdivisions 2, 5, 6; 273.121, subdivision 1; 273.13, subdivisions 21b, 25, 34; 273.1384, subdivisions 1, 3, 4; 273.1393; 273.1398, subdivision 3; 275.025, subdivisions 1, 3, 4; 275.066; 275.08, subdivisions 1a, 1d; 275.70, subdivision 5; 275.71, subdivisions 2, 4, 5; 276.04, subdivision 2; 279.01, subdivision 1; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 19b; 290.06, subdivision 2c; 290.068, subdivision 1; 290.081; 290.091, subdivision 2; 290A.03, subdivisions 11, 13; 297A.61, subdivision 3; 297A.62, by adding a subdivision; 297A.63, by adding a subdivision; 297A.668, subdivision 7, by adding a subdivision; 297A.68, subdivision 5; 297A.70, subdivision 3; 297A.75; 297A.99, subdivision 1; 298.01, subdivision 3; 298.015, subdivision 1; 298.018, subdivision 1; 298.28, subdivision 3; 298.75, by adding a subdivision; 398A.04, subdivision 8; 398A.07, subdivision 2; 469.1763, subdivision 2; 473.757, subdivisions 2, 11; 477A.011, by adding a subdivision; 477A.0124, by adding a subdivision; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; 477A.11, subdivision 1; 477A.12, subdivision 1; 477A.14, subdivision 1; 477A.17; Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 8, section 43, subdivisions 3, as amended, 4, as amended, 5, as amended; Laws 2008, chapter 366, article 7, section 19, subdivision 3; Laws 2010, chapter 389, article 7, section 22; proposing coding for new law in Minnesota Statutes, chapters 116W; 275; 373; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 273.114, subdivision 1; 273.1384, subdivision 6; 279.01, subdivision 4; 289A.60, subdivision 31; 290.06, subdivision 23; 290C.01; 290C.02; 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12; 290C.13; 477A.145.

May 16, 2011

The Honorable Kurt Zellers
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 42 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. 42 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1
INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2010, section 270B.12, is amended by adding a subdivision to read:

Subd. 14. **Wisconsin secretary of revenue; income tax reciprocity benchmark study.** The commissioner may disclose return information to the secretary of revenue of the state of Wisconsin for the purpose of conducting a joint individual income tax reciprocity study.

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

Sec. 2. Minnesota Statutes 2010, 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) net 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 amount used to claim 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 363A. 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 purchased or leased for use 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. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. 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) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code 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 over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this

clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

(9) job opportunity building zone income as provided under section 469.316;

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

(12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) international economic development zone income as provided under section 469.325;

(16) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; ~~and~~

(17) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19a, clause (16);

(18) to the extent not deducted in computing federal taxable income, charitable contributions of food inventory as determined under the provisions of section 170(e)(3)(C) of the Internal Revenue Code, determined without regard to the termination date under section 170(e)(3)(C)(iv); and

(19) to the extent included in federal taxable income, 55 percent of compensation received from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733.

EFFECTIVE DATE. Clause (18) is effective for taxable years beginning after December 31, 2010. Clause (19) is effective for taxable years beginning after December 31, 2012.

Sec. 3. Minnesota Statutes 2010, 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 \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 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 \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 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 \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 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), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13), (14), (15), ~~and (17), (18), and (19)~~, 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), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (8), (9), (13), (14), (15), ~~and (17), (18), and (19)~~.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010, except that the new references to Minnesota Statutes, section 290.01, subdivision 19b, clause (19), in paragraph (e), clauses (1) and (2), are effective for taxable years beginning after December 31, 2012.

Sec. 4. Minnesota Statutes 2010, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "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 extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for tuition and transportation of a qualifying child 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 363A.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2012.

Sec. 5. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

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

- (a) ten percent of the first \$2,000,000 of the excess (if any) of
 - (1) the qualified research expenses for the taxable year, over
 - (2) the base amount; and
- (b) ~~2.5~~ 4.7 percent on all of such excess expenses over \$2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 6. Minnesota Statutes 2010, section 290.081, is amended to read:

290.081 INCOME OF NONRESIDENTS, RECIPROCITY.

Subdivision 1. Reciprocity with other states. (a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of paragraph (a) shall not apply, as they relate to all states except Wisconsin. The provisions of paragraph (a) apply with respect to Wisconsin only for taxable years in which a reciprocity agreement with Wisconsin is in effect as provided by this section. As long as the provisions of paragraph (a) apply between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without paragraph (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without paragraph (a), or vice versa, then the state with the net revenue loss resulting from

paragraph (a) must be compensated by the other state as provided in the agreement under paragraph (d). This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000 and before January 1, 2010. Interest accrues from July 1 of the taxable year.

~~(e) The commissioner of revenue is authorized to enter into agreements~~ reciprocity agreement with the state of Wisconsin ~~specifying~~ must specify the compensation required under paragraph (b), ~~the one or more~~ reciprocity payment due date, dates for the revenue loss relating to each taxable year, with one or more estimated payment due dates in the same fiscal year in which the revenue loss occurred, and a final payment in the following fiscal year, conditions constituting delinquency, interest rates, and a method for computing interest due. Interest is payable from July 1 of the taxable year on final payments made in the following fiscal year. Calculation of compensation under the agreement must specify if the revenue loss is determined before or after the allowance of each state's credit for taxes paid to the other state.

~~(e)~~ (f) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

~~(f)~~ (g) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

(h) Any reciprocity agreement entered into under this section continues in effect until terminated by Minnesota or Wisconsin law. The commissioner may agree to modify the timing or method of calculating the state payments to be made under the agreement, consistent with the requirements of paragraphs (c) and (e), but may not terminate the agreement.

Subd. 2. New reciprocity agreement with Wisconsin. (a) The commissioner of revenue is directed to initiate negotiations with the secretary of revenue of Wisconsin, with the objective of entering into an income tax reciprocity agreement effective for tax years beginning after December 31, 2011. The agreement must satisfy the conditions of subdivision 1, with one or more estimated payment due dates and a final payment due date specified so that the state with a net revenue loss as a result of the agreement receives estimated payments from the other state, in the same fiscal year as that in which the net revenue loss occurred and a final payment with interest in the following fiscal year.

(b) The commissioner may not enter into an income tax reciprocity agreement with Wisconsin under this section until after Wisconsin has paid in full with interest the amount due to Minnesota under the income tax reciprocity agreement in effect for taxable years beginning before January 1, 2010.

EFFECTIVE DATE. Subdivision 2 is effective the day following final enactment. The changes to subdivision 1 are effective for taxable years beginning after December 31 of the year of the agreement, contingent upon agreement from the state of Wisconsin to a reciprocity arrangement in which estimated payments are made in the same fiscal year in which a change in revenue occurs, and a final payment is made in the following fiscal year.

Sec. 7. Minnesota Statutes 2010, 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 charitable contribution deduction under section 170 of the Internal Revenue Code, including any additional subtraction for charitable contributions of food inventory under section 290.01, subdivision 19b;

(ii) the medical expense deduction;

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

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

(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);

(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); and

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7) to (9), (12), (13), (16), and (17);

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;

(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 (6), (8) to (15), ~~and (17)~~, and (19).

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 290.191, subdivision 2, is amended to read:

Subd. 2. **Apportionment formula of general application.** (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the ~~percentage obtained by taking the sum of:~~

~~(1) the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;~~

~~(2) the percent for the property factor under paragraph (b) of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and~~

~~(3) the percent for the payroll factor under paragraph (b) of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.~~

~~(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:~~

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	81	9.5	9.5
2009	84	8	8
2010	87	6.5	6.5
2011	90	5	5
2012	93	3.5	3.5
2013	96	2	2
2014 and later calendar years	100	0	0

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

Sec. 9. Minnesota Statutes 2010, section 290.191, subdivision 3, is amended to read:

Subd. 3. **Apportionment formula for financial institutions.** Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the percentage ~~obtained by taking the sum of:~~

~~(1) the percent for the sales factor under subdivision 2, paragraph (b), of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived; and~~

~~(2) the percent for the property factor under subdivision 2, paragraph (b), of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and~~

~~(3) the percent for the payroll factor under subdivision 2, paragraph (b), of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.~~

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

Sec. 10. Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through March 18, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, ~~increased by plus~~

~~(i) the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code; less~~

~~(ii) (A) the value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or (B) \$4,000,000, whichever is less.~~

(5) "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.

(6) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(7) "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.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "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.

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 11. Minnesota Statutes 2010, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the proportion of the maximum credit for state death taxes computed under section 2011 of the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of federal adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal gross estate.

(b) The tax determined under this subdivision must not be greater than the sum of the following amounts multiplied by a fraction, the numerator of which is the Minnesota gross estate and the denominator of which is the federal gross estate:

(1) the rates and brackets under section 2001(c) of the Internal Revenue Code multiplied by the sum of:

(i) the taxable estate, as defined under section 2051 of the Internal Revenue Code; plus

(ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue Code; less

(iii) the lesser of (A) the sum of the value of qualified small business property under subdivision 9, and the value of qualified farm property under subdivision 10, or (B) \$4,000,000; less

(2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue Code; and less

(3) the federal credit allowed under section 2010 of the Internal Revenue Code.

(c) For purposes of this subdivision, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2000.

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 12. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision to read:

Subd. 8. Definitions. (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property from the decedent and satisfies the requirement under subdivision 9, clause (6), or subdivision 10, clause (4), for the property.

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 13. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. The decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469 of the Internal Revenue Code during the taxable year that ended before the date of the decedent's death. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death.

(3) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(4) The property does not consist of cash or cash equivalents. For property consisting of shares of stock or other ownership interests in an entity, the amount of cash or cash equivalents held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

(5) The decedent continuously owned the property for the three-year period ending on the date of death of the decedent.

(6) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.

(7) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 14. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of a farm meeting the requirements of section 500.24, and was classified for property tax purposes as the homestead of the decedent or the decedent's spouse or both under section 273.124, and as class 2a property under section 273.13, subdivision 23.

(3) The decedent continuously owned the property for the three-year period ending on the date of death of the decedent.

(4) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.

(5) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 15. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision to read:

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to use the qualified property which was acquired or passed from the decedent, an additional estate tax is imposed on the property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 16. **INCOME TAX RECIPROCITY BENCHMARK STUDY.**

(a) The Department of Revenue, in conjunction with the Wisconsin Department of Revenue, must conduct a study to determine at least the following:

(1) the number of residents of each state who earn income from personal services in the other state;

(2) the total amount of income earned by residents of each state who earn income from personal services in the other state; and

(3) the change in tax revenue in each state if an income tax reciprocity arrangement were resumed between the two states under which the taxpayers were required to pay income taxes on the income only in their state of residence.

(b) The study must be conducted as soon as practicable, using information obtained from each state's income tax returns for tax year 2011, and from any other source of information the departments determine is necessary to complete the study.

(c) No later than March 1, 2013, the Department of Revenue must submit a report containing the results of the study to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes.

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

Sec. 17. **ESTATE TAX; STUDY.**

(a) The commissioner of revenue shall conduct a study of the Minnesota estate tax. The study must include at least the following elements:

(1) evaluation of the estate tax using standard tax policy principles and methods of analysis;

(2) consideration of the implications of recent federal estate tax changes, including the repeal of the federal credit for state death taxes, the increase in the federal exclusion amount, and the portability of the federal exclusion, for state estate and inheritance taxes;

(3) consideration of the advantages and disadvantages of revenue neutral alternatives to the estate tax, such as an inheritance tax, a complementary gift tax, or imposition of the income tax on bequests; and

(4) analysis of the available empirical evidence on the effects of the present and alternative tax structures of a Minnesota tax on estates or inheritances on domicile and migration decisions of residents and the implications for state revenues.

(b) In preparing the study, the commissioner shall consult with and seek advice from the probate and estate section of the Minnesota State Bar Association.

(c) By February 1, 2012, the commissioner shall submit a report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over taxation, of the findings of the study and identification of issues for policy makers to consider in deciding whether to revise, reform, replace, or repeal the estate tax.

Sec. 18. **APPROPRIATIONS.**

\$291,000 in fiscal year 2012 and \$314,000 in fiscal year 2013 are appropriated from the general fund to the commissioner of revenue for the income reciprocity benchmark study required under section 16. The appropriation under this section is onetime and is not added to the agency's base budget.

ARTICLE 2
FEDERAL UPDATE

Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, as amended by Laws 2011, chapter 8, section 1, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2010, and after December 31, 2010,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and ~~for taxable years beginning after December 31, 2009, and before January 1, 2011,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment for taxable years beginning after December 31, 2009.

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, as amended by Laws 2011, chapter 8, section 2, 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 the federal effective dates of changes to the Internal Revenue Code and 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 ~~March 18~~ December 31, 2010, shall be in effect for taxable years beginning after December 31, 1996, ~~except that for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~ The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6). The provisions of title II, section 2112, of the act of September 27, 2010, Public Law 111-240, rollovers from elective deferral plans to designated Roth accounts, are effective at the same time they became effective for federal purposes and taxable rollovers are included in net income at the same time they are included in gross income for federal purposes.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f 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 changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, as amended by Laws 2011, chapter 8, section 3, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

(B) the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under subitem (A), that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) 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;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

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

(11) the amount of expenses disallowed under section 290.10, subdivision 2;

(12) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010,~~ the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010,~~ the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code;

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; ~~and~~

(17) the amount of unemployment compensation exempt from tax under section 85(c) of the Internal Revenue Code;

(18) to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed itemized deductions;

(i) The amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year.

(ii) The term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof.

(iii) The term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(19) to the extent included in federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount;

(i) The disallowed personal exemption amount is equal to the dollar amount of the personal exemptions claimed by the taxpayer in the computation of federal taxable income multiplied by the applicable percentage.

(ii) "Applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent.

(iii) The term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return.

(iv) The thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

(20) for taxable years beginning after December 31, 2010, the amount deducted for employer-provided educational assistance programs under section 127 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010, except that the change to clause (10) is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, as amended by Laws 2011, chapter 8, section 4, 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 and 965 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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

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

(10) 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;

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

(12) 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;

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

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

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

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

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

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

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

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

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

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

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

(iv) licensing fees; and

(v) other similar expenses and costs.

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

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

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

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

(ii) income from factoring transactions or discounting transactions;

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

(iv) licensing fees; and

(v) other similar income.

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

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

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

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

(24) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

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

EFFECTIVE DATE. The change to clause (24) is effective for taxable years beginning after December 31, 2010. The change to clause (18) is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, as amended by Laws 2011, chapter 8, section 5, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2010, and after December 31, 2010~~, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18~~ December 31, 2010; ~~and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~ Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 6. Minnesota Statutes 2010, 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 \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 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 \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 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 \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 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), (5), (6), (7), (8), (9), (12), (13), (16), ~~and (17)~~, and (20), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13), (14), (15), and (17), 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), (5), (6), (7), (8), (9), (12), (13), (16), ~~and (17)~~, and (20), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (8), (9), (13), (14), (15), and (17).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 7. Minnesota Statutes 2010, section 290A.03, subdivision 15, as amended by Laws 2011, chapter 8, section 6, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18 December 31, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable on or after December 31, 2011, and rent paid on or after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~March 18~~ December 31, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16, as amended by Public Law 111-312, and section 301(c) of Public Law 111-312.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

(5) "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.

(6) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(7) "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.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "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.

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

ARTICLE 3
SALES AND USE TAXES

Section 1. Minnesota Statutes 2010, 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) or (g), except that:

~~(1) 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; and~~

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

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

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

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

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

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

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

(b) ~~Notwithstanding paragraph (a),~~ 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 90 percent of the estimated June liability to the commissioner.

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

(c) A vendor having a liability of:

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

(2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a), ~~clause (2)~~, on returns due for periods beginning in the subsequent calendar year, except for 90 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 20.

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

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

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

EFFECTIVE DATE. This section is effective for taxes due and payable after July 1, 2011.

Sec. 2. Minnesota Statutes 2010, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

- (1) prepared food sold by the retailer;
- (2) soft drinks;
- (3) candy;
- (4) dietary supplements; and
- (5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction, and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

For purposes of clause (5), "road construction" means construction of (1) public roads, (2) cartways, and (3) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, cable television services, and direct satellite services, ~~and ring tones~~. Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 3. Minnesota Statutes 2010, section 297A.62, is amended by adding a subdivision to read:

Subd. 5. **Transitional period for services.** When there is a change in the rate of tax imposed by this section, the following transitional period shall apply to the retail sale of services covering a billing period starting before and ending after the statutory effective date of the rate change:

(1) for a rate increase, the new rate shall apply to the first billing period starting on or after the effective date; and

(2) for a rate decrease, the new rate shall apply to bills rendered on or after the effective date.

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

Sec. 4. Minnesota Statutes 2010, section 297A.63, is amended by adding a subdivision to read:

Subd. 3. **Transitional period for services.** When there is a change in the rate of tax imposed by this section, the following transitional period shall apply to the taxable services purchased for use, storage, distribution, or consumption in this state when the service purchased covers a billing period starting before and ending after the statutory effective date of the rate change:

(1) for a rate increase, the new rate shall apply to the first billing period starting on or after the effective date; and

(2) for a rate decrease, the new rate shall apply to bills rendered on or after the effective date.

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

Sec. 5. Minnesota Statutes 2010, section 297A.668, subdivision 7, is amended to read:

Subd. 7. **Advertising and promotional direct mail.** (a) Notwithstanding other subdivisions of this section, the provisions in paragraphs (b) to (e) apply to the sale of advertising and promotional direct mail. "Advertising and promotional direct mail" means printed material that is direct mail as defined in section 297A.61, subdivision 35, the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a person, business, organization, or product. "Product" includes tangible personal property, a digital product transferred electronically, or a service.

~~(b) A purchaser of advertising and promotional direct mail that is not a holder of a direct pay permit shall provide to the seller, in conjunction with the purchase, either a direct mail form or may provide the seller with either:~~

~~(1) a fully completed exemption certificate as described in section 297A.72 indicating that the purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser directly to the commissioner under section 297A.89;~~

~~(2) a fully completed exemption certificate claiming an exemption for direct mail; or~~

~~(3) information to show showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients.~~

~~(1) Upon receipt of the direct mail form; (c) In the absence of bad faith, if the purchaser provides one of the exemption certificates indicated in paragraph (b), clauses (1) and (2), the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the applicable tax on a direct pay basis. A direct mail form remains in effect for all future sales of direct mail by the seller to the purchaser until it is revoked in writing. tax on any transaction involving advertising and promotional direct mail to which the certificate applies. The purchaser shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered to the recipients of the mail, and shall report and pay any applicable tax due.~~

~~(2) Upon receipt of (d) If the purchaser provides the seller information from the purchaser showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered and shall collect and remit the applicable tax according to the delivery information provided by the purchaser. In the absence of bad faith, the seller is relieved of any further obligation to collect any additional tax on any transaction for which the sale of advertising and promotional direct mail where the seller has collected tax pursuant sourced the sale according to the delivery information provided by the purchaser.~~

~~(b) (e) If the purchaser of direct mail does not have a direct pay permit and does not provide the seller with either a direct mail form or delivery information, as required by paragraph (a), the seller shall collect the tax according to any of the items listed in paragraph (b), the sale shall be sourced under subdivision 2, paragraph (f). Nothing in this paragraph limits a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.~~

~~(e) If a purchaser of direct mail provides the seller with documentation of direct pay authority, the purchaser is not required to provide a direct mail form or delivery information to the seller.~~

~~(f) This subdivision does not apply to printed materials that result from developing billing information or providing any data processing service that is more than incidental to producing the printed materials, regardless of whether advertising and promotional direct mail is included in the same mailing.~~

~~(g) If a transaction is a bundled transaction that includes advertising and promotional direct mail, this subdivision applies only if the primary purpose of the transaction is the sale of products or services that meet the definition of advertising and promotional direct mail.~~

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 6. Minnesota Statutes 2010, section 297A.668, is amended by adding a subdivision to read:

Subd. 7a. **Other direct mail.** (a) Notwithstanding other subdivisions of this section, the provisions in paragraphs (b) and (c) apply to the sale of other direct mail. "Other direct mail" means printed material that is direct mail as defined in section 297A.61, subdivision 35, but is not advertising and promotional direct mail as described in subdivision 7, regardless of whether advertising and promotional direct mail is included in the same mailing. Other direct mail includes, but is not limited to:

(1) direct mail pertaining to a transaction between the purchaser and addressee, where the mail contains personal information specific to the addressee including, but not limited to, invoices, bills, statements of account, and payroll advices;

(2) any legally required mailings including, but not limited to, privacy notices, tax reports, and stockholder reports; and

(3) other nonpromotional direct mail delivered to existing or former shareholders, customers, employees, or agents including, but not limited to, newsletters and informational pieces.

Other direct mail does not include printed materials that result from developing billing information or providing any data processing service that is more than incidental to producing the other direct mail.

(b) A purchaser of other direct mail may provide the seller with either a fully completed exemption certificate as described in section 297A.72 indicating that the purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser directly to the commissioner under section 297A.89, or a fully completed exemption certificate claiming an exemption for direct mail. If the purchaser provides one of the exemption certificates listed, then the seller, in the absence of bad faith, is relieved of all obligations to collect, pay, or remit the tax on any transaction involving other direct mail to which the certificate applies. The purchaser shall source the sale to the jurisdictions to which the other direct mail is to be delivered to the recipients of the mail, and shall report and pay any applicable tax due.

(c) If the purchaser does not provide the seller with a fully completed exemption certificate claiming either exemption listed in paragraph (b), the sale shall be sourced according to subdivision 2, paragraph (d).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 7. Minnesota Statutes 2010, section 297A.68, is amended by adding a subdivision to read:

Subd. 42. Resold admission tickets. (a) When a ticket reseller who purchased a ticket from a seller who is in the business of selling tickets resells the ticket, the ticket reseller must charge tax on the total amount for which the ticket is resold and the following rules apply:

(1) if the ticket reseller did not use a fully completed exemption certificate to claim the exemption from tax for resale, but instead paid tax on the original purchase, then the ticket reseller may do one of the following:

(i) seek a refund of that tax under section 289A.50; or

(ii) pass through to the purchaser the amount of the tax the ticket reseller paid on the original purchase, by giving the purchaser credit for the Minnesota state and local tax paid by the ticket reseller on the ticket reseller's original purchase of the ticket. Credit for the tax cannot exceed either the sales tax paid on the original price of the ticket or the sales tax charged by the ticket reseller to the final purchaser;

(2) if the ticket reseller did not pay tax on the original purchase, tax is due on the full amount of the ticket when resold, without a credit given to the final purchaser; or

(3) the ticket reseller must retain records documenting the price and tax paid by the ticket reseller when purchasing the ticket and the price and tax collected when the ticket reseller resells the ticket.

(b) When a ticket reseller who purchased a ticket from a seller who is not in the business of selling tickets resells the ticket, the ticket reseller must charge tax on the total amount for which the ticket is resold and the following rules apply:

(1) the ticket reseller may credit its purchaser an amount equal to the tax the ticket reseller would have paid its seller, had the seller been registered to collect tax on its sale of the ticket to the ticket reseller. Credit for the tax cannot exceed either the sales tax paid on the original price of the ticket or the sales tax charged by the ticket reseller to the final purchaser. It is presumed that the original purchase price of the ticket is the face amount of the ticket;

(2) if no tax was paid on the original purchase, tax is due on the full amount of the ticket when resold, without a credit given to the ticket reseller's purchaser; and

(3) the ticket reseller must retain records documenting the price and tax paid by the ticket reseller when purchasing the ticket and the price and tax collected when the ticket reseller resells the ticket.

(c) For purposes of this subdivision, "ticket reseller" means a person who:

(1) purchases admission tickets to a sporting event, theater, musical performance, or place of public entertainment or amusement of any kind;

(2) resells admission tickets to events under clause (1); and

(3) is registered to collect tax under this chapter.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 8. Minnesota Statutes 2010, section 297A.70, subdivision 1, is amended to read:

Subdivision 1. **Scope.** (a) To the extent provided in this section, the gross receipts from sales of items to or by, and storage, distribution, use, or consumption of items by the organizations or units of local government listed in this section are specifically exempted from the taxes imposed by this chapter.

(b) Notwithstanding any law to the contrary enacted before 1992, only sales to governments and political subdivisions listed in this section are exempt from the taxes imposed by this chapter.

(c) "Sales" includes purchases under an installment contract or lease purchase agreement under section 465.71.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 9. Minnesota Statutes 2010, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;

(4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;

(5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

(6) ~~sales to~~ 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; and

(7) towns.

(b) This exemption does not apply to the sales of the following products and services:

(1) 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;

(2) 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;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except for leases entered into by the United States or its agencies or instrumentalities; ~~or~~

(4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities; or

(5) goods or services purchased by a town that are generally provided by a private business and the purchases would be taxable if made by a private business engaged in the same activity.

(c) 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, and any instrumentality of a school district, as defined in section 471.59.

(d) As used in this subdivision, "goods or services generally provided by a private business" include, but are not limited to, goods or services provided by liquor stores, gas and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and laundromats. "Goods or services generally provided by a private business" do not include housing services, sewer and water services, wastewater treatment, ambulance and other public safety services, correctional services, chore or homemaking services provided to elderly or disabled individuals, or road and street maintenance or lighting.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 10. Minnesota Statutes 2010, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) 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;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Office of Enterprise Technology that are used to provide telecommunications services through the enterprise technology revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) 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), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

~~(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10);~~

~~(10) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state; and~~

~~(11) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and~~

(12) purchases of water used directly in providing public safety services by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (11), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011, except that the new clause (11) is effective retroactively for sales and purchases made after June 30, 2007; however, for purposes of the new clause (11), no refunds may be made for amounts already paid on water purchased between June 30, 2007, and January 30, 2010.

Sec. 11. Minnesota Statutes 2010, section 297A.70, subdivision 8, is amended to read:

Subd. 8. ~~**Regionwide Public safety radio communication system systems; products and services.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to 403.40 systems, including public safety radio dispatch centers, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.~~

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 12. Minnesota Statutes 2010, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (9) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (10) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(11) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;

(12) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, clause (11);

(13) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(14) materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41; ~~and~~

(15) materials, supplies, and equipment for construction, improvement, or expansion of an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42; and

(16) products and services for a statewide public safety radio communication system exempt under section 297A.70, subdivision 8, purchased after December 31, 2009, and before July 1, 2013.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 13. Minnesota Statutes 2010, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

(2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (8), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (10), (11), (14), and (15), the owner of the qualifying business; and

(8) for subdivision 1, clauses (12) ~~and~~ (13), and (16), the applicant must be the governmental entity that owns or contracts for the project or facility.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 14. Minnesota Statutes 2010, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), ~~or (15), or (16)~~, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 15. Minnesota Statutes 2010, section 297A.82, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax imposed in this chapter to the extent provided.

(b) The purchase or use of aircraft previously registered in Minnesota by a corporation or partnership is exempt if the transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code.

(c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.

(d) Airflight equipment when sold to, or purchased, stored, used, or consumed by airline companies, as defined in section 270.071, subdivision 4, is exempt. For purposes of this subdivision, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators, but does not include airplanes with a gross weight of less than 30,000 pounds that are used on intermittent or irregularly timed flights.

(e) Sales of, and the storage, distribution, use, or consumption of 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 are exempt, 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.

(f) The sale or purchase of aircraft and aircraft equipment, including parts necessary for repair and maintenance of such airflight equipment, as defined under Federal Aviation Regulations, Part 135, that has a maximum certified takeoff weight of 6,000 pounds or more are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 16. **REPEALER.**

Minnesota Statutes 2010, section 289A.60, subdivision 31, is repealed.

EFFECTIVE DATE. This section is effective for taxes due and payable after July 1, 2011.

ARTICLE 4
ECONOMIC DEVELOPMENT

Section 1. **[116W.25] CITATION.**

Sections 116W.26 to 116W.34 may be cited as the "Minnesota science and technology program."

Sec. 2. **[116W.26] DEFINITIONS.**

Subdivision 1. **Applicability.** For the purposes of sections 116W.26 to 116W.34, the terms in this section have the meanings given them.

Subd. 2. **Authority.** "Authority" means the Minnesota Science and Technology Authority established under this chapter.

Subd. 3. **College or university.** "College or university" means an institution of postsecondary education, public or private, that grants undergraduate or postgraduate academic degrees, conducts significant research or development activities in the areas of science and technology.

Subd. 4. **Commercialization.** "Commercialization" means any of the full spectrum of activities required for a new technology, product, or process to be developed from its basic research of conceptual stage through applied research or development to the marketplace including, without limitation, the steps leading up to and including licensure, sales, and services.

Subd. 5. **Commercialized research project.** "Commercialized research project" means research conducted within a college or university or nonprofit research institution or by a qualified science and technology company that has shown advanced commercial potential through license agreements, patents, or other forms of invention disclosure, and by which a qualified science and technology company has been or is being currently formed.

Subd. 6. **Fund.** "Fund" means the Minnesota science and technology fund.

Subd. 7. **Nonprofit research institution.** "Nonprofit research institution" means an entity with its principle place of business in Minnesota, that qualifies under section 501(c) of the Internal Revenue Code, and that conducts significant research or development activities in this state in the areas of science and technology.

Subd. 8. **Program.** "Program" means the Minnesota science and technology program.

Subd. 9. **Qualified science and technology company.** "Qualified science and technology company" means a corporation, limited liability company, S corporation, partnership, limited liability partnership, or sole proprietorship with fewer than 100 employees that is engaged in research, development, or production of science or technology in this state including, without limitation, research, development, or production directed toward developing or providing science and technology products, processes, or services for specific commercial or public purposes.

Sec. 3. **[116W.27] MINNESOTA SCIENCE AND TECHNOLOGY FUND.**

A Minnesota science and technology fund is created in the state treasury. The fund is a direct-appropriated special revenue fund. Money of the authority must be paid to the commissioner of management and budget as agent of the authority and the commissioner shall not commingle the money with other money. The money in the fund must be paid out only on warrants drawn by the commissioner of management and budget on requisition of the executive director of the authority or designee.

Sec. 4. **[116W.28] MINNESOTA SCIENCE AND TECHNOLOGY FUND; AUTHORIZED USES.**

The Minnesota science and technology fund may be used for the following to:

- (1) establish the commercialized research program authorized under section 116W.29;
- (2) establish the federal research and development support program under section 116W.30;
- (3) establish the industry technology and competitiveness program under section 116W.31; and
- (4) carry out the powers of the authority authorized under sections 116W.04 and 116W.32 that are in support of the programs in clauses (1) to (3).

Sec. 5. **[116W.29] COMMERCIALIZED RESEARCH PROGRAM.**

(a) The authority may establish a commercialized research program. The purpose of the program is to accelerate the commercialization of science and technology products, processes, or services from colleges or universities, nonprofit research institutions or qualified science and technology companies that lead to an increase in science and technology businesses and jobs. The program shall:

- (1) provide science and technology gap funding of up to \$250,000 per science and technology research project to assist in the commercialization and transfer of science and technology research projects from a college or university or nonprofit research institution to a qualified science and technology company; and
- (2) provide funding of up to \$250,000 for early stage development for qualified science and technology companies to conduct commercialized research projects.

(b) All activities under the commercialized research program must require:

- (1) written criteria set by the authority for the application, award, and use of the funds;
- (2) matching funds by the participating qualified science and technology company, college or university, or nonprofit research institution;
- (3) no more than 15 percent of the funds awarded by the authority may be used for overhead costs; and
- (4) a report by the participating qualified science and technology company, college or university, or nonprofit research institution that provides documentation of the use of funds and outcomes of the award. The report must be submitted to the authority within one calendar year of the date of the award.

Sec. 6. **[116W.30] FEDERAL RESEARCH AND DEVELOPMENT SUPPORT PROGRAM.**

The authority may establish a federal research and development support program. The purpose of the program is to increase and coordinate efforts to procure federal funding for research projects of primary benefit to qualified science and technology companies, colleges or universities, and nonprofit research institutions. The program shall:

(1) develop and execute a strategy to identify specific federal agencies and programs that support the growth of science and technology industries in this state; and

(2) provide grants to qualified science and technology companies:

(i) to assist in the development of federal Small Business Innovation (SBIR) or Small Business Technology Transfer (STTR) proposals; and

(ii) to match funds received through SBIR or STTR awards. No more than \$1,500,000 may be awarded in a year for matching grants under this clause.

Sec. 7. **[116W.31] INDUSTRY INNOVATION AND COMPETITIVENESS PROGRAM.**

(a) The authority may establish an industry technology and competitiveness program. The purpose of the program is to advance the technological capacity and competitiveness of existing and emerging science and technology industries. The program shall:

(1) provide matching funds to programs and organizations that assist entrepreneurs in starting and growing qualified science and technology companies including, but not limited to, matching funds for mentoring programs, consulting and technical services, and related activities;

(2) fund initiatives that retain engineering, science, technology, and mathematical occupations in the state including, but not limited to, internships, mentoring, and support of industry and professional organizations; and

(3) fund initiatives that support the growth of targeted industry clusters and the competitiveness of existing qualified science and technology companies in developing and marketing new products and services.

(b) All activities under the industry innovation and competitiveness program shall require:

(i) written criteria set by the authority for the application, award, and use of the funds;

(ii) matching funds by the participating qualified science and technology company, college or university, or nonprofit research institution; and

(iii) a report by the participating qualified science and technology company, college or university, or nonprofit research institution providing documentation on the use of the funds and outcomes of the award. The report must be submitted to the authority within one calendar year from the date of the award.

Sec. 8. **[116W.32] MINNESOTA SCIENCE AND TECHNOLOGY AUTHORITY; POWERS UNDER FUND.**

Subdivision 1. General powers. The authority shall have all of the powers necessary to carry out the purposes and provisions of sections 116W.26 to 116W.34, including, but not limited to, those provided under section 116W.04 and the following:

(1) The authority may make awards in the forms of grants or loans, and charge and receive a reasonable interest for the loans, or take an equity position in form of stock, a convertible note, or other securities in consideration of an award. Interests, revenues, or other proceeds received as a result of a transaction authorized by use of this fund shall be deposited to the corpus of the fund and used in the same manner as the corpus of the fund.

(2) In awarding money from the fund, priority shall be given to proposals from qualified science and technology companies that have demonstrable economic benefit to the state in terms of the formation of a new private sector business entity, the creation of jobs, or the attraction of federal and private funding.

(3) In awarding money from the fund, priority shall be given to proposals from colleges or universities and nonprofit research institutions that:

(i) promote collaboration between any combination of colleges or universities, nonprofit research institutions, and private industry;

(ii) enhance existing research superiority by attracting new research entities, research talent, or resources to the state; and

(iii) create new research superiority that attracts significant researchers and resources from outside the state.

(4) Subject to the limits in this clause, money within the fund may be used for reasonable administrative expenses by the authority including staffing and direct operational expenses, and professional fees for accounting, legal, and other technical services required to carry out the intent of the program and administration of the fund. Administrative expenses may not exceed five percent of the first \$5,000,000 in the fund and two percent of any amount in excess of \$5,000,000.

(5) Before making an award, the authority shall enter into a written agreement with the entity receiving the award that specifies the uses of the award.

(6) If the award recipient has not used the award received for the purposes intended, as of the date provided in the agreement, the recipient shall repay that amount and any interest applicable under the agreement to the authority. All repayments must be deposited to the corpus of the fund.

Subd. 2. **Rules.** The authority may adopt rules to implement the programs authorized under sections 116W.29 to 116W.31.

Sec. 9. **[116W.33] REPAYMENT.**

An entity must repay all or a portion of the amount of any award, grant, loan, or financial assistance of any type paid by the authority under sections 116W.29 to 116W.32 if the entity relocates outside the state or ceases operation in Minnesota within four years from the date the authority provided the financial award. If the entity relocates outside of this state or ceases operation in Minnesota within three years of the financial award, the entity must repay 100 percent of the award. If the entity relocates or ceases operation in Minnesota after a period of three years but before four years from the date of the financial award, the entity must repay 75 percent of the financial award.

Sec. 10. **[116W.34] EXPIRATION.**

Sections 116W.26 to 116W.33 expire on the expiration date of the authority under section 116W.03, subdivision 7. Any unused money in the fund shall be deposited in the general fund.

Sec. 11. Minnesota Statutes 2010, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities;

(6) qualified border retail facilities; or

(7) space necessary for and related to the activities listed in clauses (1) to (6).

(b) Notwithstanding the provisions of this subdivision, revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a small city, if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

(c) A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

(d) Notwithstanding the requirements of paragraph (a) and the finding requirements of section 469.174, subdivision 12, tax increments from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if all the following conditions are met:

(1) the municipality finds that the project will create or retain jobs in this state, including construction jobs, and that construction of the project would not have commenced before July 1, ~~2011~~ 2012, without the authority providing assistance under the provisions of this paragraph;

(2) construction of the project begins no later than July 1, ~~2011~~ 2012; ~~and~~

(3) the request for certification of the district is made no later than June 30, ~~2011~~ 2012; ~~and~~

(4) for development of housing under this paragraph, the construction must begin before January 1, 2012.

The provisions of this paragraph may not be used to assist housing that is developed to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law, if construction of the project begins later than July 1, 2011.

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

Sec. 12. Minnesota Statutes 2010, section 469.176, subdivision 4m, is amended to read:

Subd. 4m. **Temporary authority to stimulate construction.** (a) Notwithstanding the restrictions in any other subdivision of this section or any other law to the contrary, except the requirement to pay bonds to which the increments are pledged and the provisions of subdivisions 4g and 4h, the authority may spend tax increments for one or more of the following purposes:

(1) to provide improvements, loans, interest rate subsidies, or assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create or retain jobs in this state, including construction jobs, and that the construction commences before July 1, ~~2011~~ 2012, and would not have commenced before that date without the assistance; or

(2) to make an equity or similar investment in a corporation, partnership, or limited liability company that the authority determines is necessary to make construction of a development that meets the requirements of clause (1) financially feasible.

(b) The authority may undertake actions under the authority of this subdivision only after approval by the municipality of a written spending plan that specifically authorizes the authority to take the actions. The municipality shall approve the spending plan only after a public hearing 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.

(c) The authority to spend tax increments under this subdivision expires December 31, ~~2011~~ 2012.

(d) For a development consisting of housing, the authority to spend tax increments under this subdivision expires December 31, 2011, and construction must commence before July 1, 2011, except the authority to spend tax increments on market rate housing developments under this subdivision expires July 31, 2012, and construction must commence before January 1, 2012.

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

Sec. 13. Minnesota Statutes 2010, 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 total 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 total 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, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in 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. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. 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; and

(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; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market of single-family homes in that municipality; or

(B) \$200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or \$125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period stated in the notice provided under section 580.06 has expired.

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are considered as expenditures for activities within the district.

(f) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

EFFECTIVE DATE. This section is effective for any district that is subject to the provisions of section 469.1763, regardless of when the request for certification of the district was made.

Sec. 14. Laws 2010, chapter 389, article 7, section 22, is amended to read:

Sec. 22. **CITY OF RAMSEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city of Ramsey or an authority of the city elects upon the adoption of a tax increment financing plan for a district, the rules under this section apply to a redevelopment tax increment financing district established by the city or an authority of the city. The redevelopment tax increment district includes parcels within the area bounded on the east by Ramsey Boulevard, on the north by Bunker Lake Boulevard as extended west to Llama Street, on the west by Llama Street, and on the south by a line running parallel to and 600 feet south of the southerly right-of-way for U.S. Highway 10, but including Parcels 28-32-25-43-0007 and 28-32-25-34-0002 in their entirety, and excluding the Anoka County Regional Park property in its entirety. A parcel within this area that is included in a tax increment financing district that was certified before the date of enactment of this act may be included in the district created under this act if the initial district is decertified.

(b) The requirements for qualifying a redevelopment tax increment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the district.

(c) ~~In addition to the costs permitted by Minnesota Statutes, section 469.176, subdivision 4j,~~ does not apply to the district. Eligible expenditures within the district include but are not limited to (1) the city's share of the costs necessary to provide for the construction of the Northstar Transit Station and related infrastructure, including structured parking, a pedestrian overpass, and roadway improvements, (2) the cost of land acquired by the city or the housing and redevelopment authority in and for the city of Ramsey within the district prior to the establishment of the district, and (3) the cost of public improvements installed within the tax increment financing district prior to the establishment of the district.

(d) The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for the district if the activities were undertaken within ten years from the date of certification of the district.

(e) Except for administrative expenses, the in-district percentage for purposes of the restriction on pooling under Minnesota Statutes, section 469.1763, subdivision 2, for this district is 100 percent.

(f) The requirement of Minnesota Statutes, section 469.177, subdivision 4, does not apply to Parcels 28-32-25-42-0021 and 28-32-25-41-0014, where development occurred after enactment of Laws 2010, chapter 389, article 7, section 22, and prior to adoption of the tax increment financing plan for the district.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Ramsey, and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 15. **CITY OF COHASSET; USE OF TAX INCREMENTS.**

The authority operating tax increment financing districts No. 2-1 and No. 3-1 in the city of Cohasset may transfer tax increments from each of those districts to the city in an amount equal to the advances made by the city from its general fund to finance expenditures under Minnesota Statutes, section 469.176, subdivision 4, for the benefit of that district.

EFFECTIVE DATE. This section is effective the day following final enactment, upon approval by the governing body of the city of Cohasset and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. **CITY OF LINO LAKES; TAX INCREMENT FINANCING.**

Subdivision 1. Duration of district. Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the city of Lino Lakes may collect tax increments from tax increment financing district no. 1-10 through December 31, 2023, subject to the conditions in subdivision 2.

Subd. 2. Conditions for extension. All tax increments remaining in the account for the district after February 1, 2011, and all tax increments collected thereafter, must be used only to pay debt service on bonds issued to finance the interchange of Anoka County Highway 23 and marked Interstate Highway 35W, bonds issued to finance public improvements serving the development known as Legacy at Woods Edge, and any bonds issued to refund those bonds. Minnesota Statutes, sections 469.176, subdivision 4c, and 469.1763 do not apply to expenditures made under this section.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Lino Lakes with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 17. **CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT ZONE.**

Subdivision 1. Authorization. The governing body of the city of Taylors Falls may designate all or any part of the city as a border city development zone.

Subd. 2. Application of general law. (a) Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, is appropriated to the commissioner of revenue.

Subd. 3. Allocation of state tax reductions. (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to \$100,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

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

Sec. 18. **APPROPRIATION.**

Except as otherwise provided by law, \$500,000 is appropriated to the Minnesota science and technology fund for fiscal year 2012 and any unspent money carries over to fiscal year 2013. Notwithstanding section 116W.32, subdivision 1, clause (4), up to \$107,000 of the appropriation may be used for administrative expenses of the authority. This is a onetime appropriation and is not added to the authority's base budget.

ARTICLE 5
LOCAL TAXES

Section 1. Minnesota Statutes 2010, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law ~~enacted prior to May 20, 2008,~~ or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles or a special excise tax on motor vehicles.

~~(d) Until after May 31, 2010, a political subdivision may not advertise, promote, expend funds, or hold a referendum to support imposing a local option sales tax unless it is for extension of an existing tax or the tax was authorized by a special law enacted prior to May 20, 2008.~~

(d) A political subdivision may not advertise or expend funds for the promotion of a referendum to support imposing a local option sales tax. A political subdivision may only expend funds to conduct the referendum.

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

Sec. 2. Minnesota Statutes 2010, section 297A.99, subdivision 3, is amended to read:

Subd. 3. **Requirements for adoption, use, termination.** (a) Imposition of a local sales tax is subject to approval by voters of the political subdivision at a general election. The election must be conducted before the governing body of the political subdivision requests legislative approval of the tax.

(b) The proceeds of the tax must be dedicated exclusively to payment of the cost of a specific capital improvement which is designated at least 90 days before the referendum on imposition of the tax is conducted.

(c) The tax must terminate after the improvement designated under paragraph (b) has been completed.

(d) After a sales tax imposed by a political subdivision has expired or been terminated, the political subdivision is prohibited from imposing a local sales tax for a period of one year. Notwithstanding subdivision 13, this paragraph applies to all local sales taxes in effect at the time of or imposed after May 26, 1999.

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

Sec. 3. Minnesota Statutes 2010, section 473.757, subdivision 11, is amended to read:

Subd. 11. **Uses of tax.** (a) Revenues received from the tax imposed under subdivision 10 may be used:

(1) to pay costs of collection;

(2) to pay or reimburse or secure the payment of any principal of, premium, or interest on bonds issued in accordance with this act;

(3) to pay costs and make expenditures and grants described in this section, including financing costs related to them;

(4) to maintain reserves for the foregoing purposes deemed reasonable and appropriate by the county;

(5) to pay for operating costs of the ballpark authority other than the cost of operating or maintaining the ballpark; and

(6) to make expenditures and grants for youth activities and amateur sports and extension of library hours as described in subdivision 2;

and for no other purpose.

(b) Revenues from the tax designated for use under paragraph (a), clause (5), must be deposited in the operating fund of the ballpark authority.

(c) After completion of the ballpark and public infrastructure, the tax revenues not required for current payments of the expenditures described in paragraph (a), clauses (1) to (6), shall be used to (i) redeem or defease the bonds and (ii) prepay or establish a fund for payment of future obligations under grants or other commitments for future expenditures which are permitted by this section. Upon the redemption or defeasance of the bonds and the establishment of reserves adequate to meet such future obligations, the taxes shall terminate and shall not be reimposed. For purposes of this subdivision, "reserves adequate to meet such future obligations" means a reserve that does not exceed the net present value of the county's obligation to make grants under paragraph (a), clauses (5) and (6), and to fund the reserve for capital improvements required under section 473.759, subdivision 3, for the 30-year period beginning on the date of the original issuance of the bonds, less those obligations that the county has already paid.

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

Sec. 4. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by Laws 2006, chapter 259, article 3, section 3, is amended to read:

Subdivision 1. **Sales tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales tax of up to one percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city. The proceeds of the tax imposed under this section must be used to meet the costs of:

(1) extending a sewer interceptor line;

(2) construction of a booster pump station, reservoirs, and related improvements to the water system; and

(3) construction of a building containing a police and fire station and an administrative services facility.

(b) If the city imposed a sales tax of only one-half of one percent under paragraph (a), it may increase the tax to one percent to fund the purposes under paragraph (a) provided it is approved by the voters at a general election held before December 31, 2012.

EFFECTIVE DATE. This section is effective the day following compliance by the city of Hermantown with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 5. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special Session chapter 3, article 5, section 28, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

- (1) transportation infrastructure improvements including regional highway and airport improvements;
- (2) improvements to the civic center complex;
- (3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and
- (4) construction of a regional recreation and sports center and other higher education facilities available for both community and student use.

(b) The total amount of capital expenditures or bonds for ~~these~~ projects listed in paragraph (a) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$28,000,000.

(c) In addition to the projects authorized in paragraph (a) and not subject to the amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an election under subdivision 5, paragraph (c), use the revenues received from the taxes and bonds authorized in this section to pay the costs of or bonds for the following purposes:

(1) \$17,000,000 for capital expenditures and bonds for the following Olmsted County transportation infrastructure improvements:

- (i) County State Aid Highway 34 reconstruction;
- (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;
- (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;
- (iv) widening of County State Aid Highway 22 West Circle Drive; and
- (v) 60th Avenue Northwest corridor preservation;

(2) \$30,000,000 for city transportation projects including:

- (i) Trunk Highway 52 and 65th Street interchange;
- (ii) NW transportation corridor acquisition;
- (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;
- (iv) Trunk Highway 14 and Trunk Highway 63 intersection;
- (v) Southeast transportation corridor acquisition;
- (vi) Rochester International Airport expansion; and
- (vii) a transit operations center bus facility;

(3) \$14,000,000 for the University of Minnesota Rochester academic and complementary facilities;

(4) \$6,500,000 for the Rochester Community and Technical College/Winona State University career technical education and science and math facilities;

(5) \$6,000,000 for the Rochester Community and Technical College regional recreation facilities at University Center Rochester;

(6) \$20,000,000 for the Destination Medical Community Initiative;

(7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;

(8) \$20,000,000 for a regional recreation/senior center;

(9) \$10,000,000 for an economic development fund; and

(10) \$8,000,000 for downtown infrastructure.

(d) No revenues from the taxes raised from the taxes authorized in subdivisions 1 and 2 may be used to fund transportation improvements related to a railroad bypass that would divert traffic from the city of Rochester.

(e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin, Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville, Zumbrota, Spring Valley, West Concord, and Hayfield for economic development projects that these communities would fund through their economic development authority or housing and redevelopment authority.

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

Sec. 6. Laws 1998, chapter 389, article 8, section 43, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 29, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve up to \$71,500,000 in bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes. An election to approve up to an additional \$40,000,000 of bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize extension of the tax under subdivision 5, paragraph (b). An election to approve bonds under Minnesota Statutes, section 475.58, in an amount not to exceed \$139,500,000 plus an amount equal to the costs of issuance of the bonds, may be held in combination with the election to authorize the extension of the tax under subdivision 5, paragraph (c).

(b) The city ~~may~~ shall enter into an agreement with Olmsted County under which the city and the county agree to jointly undertake and finance certain roadway infrastructure improvements. The agreement ~~may~~ shall provide that the city will make available to the county a portion of the sales tax revenues collected pursuant to the authority granted in this section and the bonding authority provided in this subdivision. The county may, pursuant to the agreement, issue its general obligation bonds in a principal amount not exceeding the amount authorized by its agreement with the city payable primarily from the sales tax revenues from the city under the agreement. The county's bonds must be issued in accordance with the provisions of Minnesota Statutes, chapter 475, except that no election is required for the issuance of the bonds and the bonds are not included in the net debt of the county.

~~(b)~~ (c) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

~~(e)~~ (d) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(e) The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements for projects listed in subdivision 3, paragraph (a), may not exceed \$111,500,000, plus an amount equal to the costs related to issuance of the bonds. The aggregate principal amount of bonds plus the aggregate of the taxes used directly to pay the costs of eligible projects under subdivision 3, paragraph (c), may not exceed \$139,500,000 plus an amount equal to the costs of issuance of the bonds.

~~(d)~~ (f) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

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

Sec. 7. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by Laws 2005, First Special Session chapter 3, article 5, section 30, is amended to read:

Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the later of (1) December 31, 2009, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the first \$71,500,000 of capital expenditures and bonds for the projects authorized in subdivision 3, including the amount to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, unless the taxes are extended as allowed in paragraph (b). Any funds remaining after completion of the project and retirement or redemption of the bonds shall also be used to fund the projects under subdivision 3. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009, if approved by the voters of the city at a special election in 2005 or the general election in 2006. The question put to the voters must indicate that an affirmative vote would allow up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that sufficient funds have been received from the taxes to finance the projects and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city.

(c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond the date the city council determines that sufficient funds have been received from the taxes to finance \$111,500,000 of expenditures and bonds for the projects authorized in subdivision 3, paragraph (a), plus an amount equal to the costs of issuance of the bonds and including the amount to prepay or retire at maturity the principal, interest, and premiums due on any bonds issued for the projects under subdivision 4, paragraph (a), if approved by the voters of the city at the general election in 2012. If the election to authorize the additional \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the bonds is placed on the general election ballot in 2012, the city may continue to collect the taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put to the voters must indicate that an affirmative vote would allow sales tax revenues be raised for an extended period of time and an additional \$139,500,000 of bonds plus an amount equal to the costs of issuance of the bonds,

to be issued above the amount authorized in the previous elections required under paragraphs (a) and (b) for the projects and amounts specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that \$139,500,000 has been received from the taxes to finance the projects plus an amount sufficient to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, including any bonds issued to refund the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the city.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Rochester with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 8. Laws 2008, chapter 366, article 7, section 19, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be used to pay for the costs of acquisition, construction, improvement, and development of a regional parks, bicycle trails, park land, open space, and pedestrian bridge walkways, as described in the city improvement plan adopted by the city council by resolution on December 12, 2006, and land and buildings for a community and recreation center. The total amount of revenues from the taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000 plus any associated bond costs.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Clearwater with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. Laws 2010, chapter 389, article 5, section 6, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, ordinance, or city charter, the city of Marshall, if imposed within ~~two~~ three years of the date of final enactment of this section, may impose any or all of the taxes described in this section.

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

Sec. 10. **CITY OF CLOQUET; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) \$4,500,000 for construction and completion of park improvement projects, including St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital equipment and building and grounds improvements at the Pine Valley Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within the city;

(2) \$5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) \$6,200,000 for engineering and construction of infrastructure improvements, including, but not limited to, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed \$16,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 30 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision 3 first equals or exceeds \$16,500,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 11. **CITY OF FERGUS FALLS; SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at the November 2, 2010 general election, the city of Fergus Falls may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city of Fergus Falls to pay the cost of collecting the tax and to pay for all or part of the costs of the acquisition and betterment of a regional community ice arena facility. Authorized expenses include, but are not limited to, acquiring property, predesign, design, and paying construction, furnishing, and equipment costs related to the facility and paying debt service on bonds or other obligations issued by the Fergus Falls Port Authority to finance the facility. The amount of revenues from the tax imposed under subdivision 1 that may be used to finance the facility and any associated costs is limited to \$6,600,000.

Subd. 3. **Termination of taxes.** The tax imposed under this section expires when the Fergus Falls City Council determines that sufficient funds have been received from the taxes to finance the facility and to prepay or retire at maturity the principal, interest, and premium due on any bonds, including refunding bonds, issued by the Fergus Falls Port Authority for the facility. Any funds remaining after completion of the facility and retirement or redemption of the bonds may be placed in the general fund of the city of Fergus Falls. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Fergus Falls and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. **CITY OF HUTCHINSON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at a referendum held at the 2010 general election, the city of Hutchinson may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, Minnesota Statutes, section 297A.99, governs the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. Minnesota Statutes, section 297A.99, subdivision 1, paragraph (d), does not apply to this section.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Hutchinson may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by this section must be used to pay the cost of collecting and administering the tax and to finance the costs of constructing the water treatment facility and renovating the wastewater treatment facility in the city of Hutchinson. Authorized costs include, but are not limited to, construction and engineering costs of the projects and associated bond costs.

Subd. 4. **Termination of tax.** The taxes authorized under subdivisions 1 and 2 terminate at the earlier of: (1) 18 years after the date of initial imposition of the tax; or (2) when the Hutchinson City Council determines that the amount of revenues raised is sufficient to pay for the projects under subdivision 3, plus the amount needed to finance the capital and administrative costs for the projects specified in subdivision 3, and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the associated bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Hutchinson with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. **CITY OF LANESBORO; SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 1, and 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at the November 2, 2010, general election, the city of Lanesboro may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized under subdivision 1 must be used by the city of Lanesboro to pay the costs of collecting the tax and to pay for all or a part of the improvements to city streets and utility systems, and the betterment of city municipal buildings consisting of (i) street and utility improvements to Calhoun Avenue, Fillmore Avenue, Kenilworth Avenue, Pleasant Street, Kirkwood Street, Auburn Avenue, and Zenith Street, and street light replacement on State Highways 250 and 16; (ii) improvements to utility systems consisting of wastewater treatment facility improvements and electric utility improvements to the Lanesboro High Hazard Dam; and (iii) improvements to the Lanesboro community center, library, and city hall, including paying debt service on bonds or other obligations issued to fund these projects under subdivision 3. The total amount of revenues from the taxes in subdivision 1 that may be used to fund these projects is \$800,000 plus any associated bond costs.

Subd. 3. **Bonding authority.** The city of Lanesboro may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses related to the projects authorized in subdivision 2. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61. The bonds are not included in computing any debt limitation applicable to the city and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of the bonds plus the aggregate of the taxes used directly to pay costs of the projects listed in subdivision 2 may not exceed \$800,000, plus an amount equal to the costs related to issuance of the bonds and capitalized interest.

The taxes authorized in subdivision 1 may be pledged and used for payments of the bonds and bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires when the Lanesboro City Council determines that sufficient funds have been raised from the taxes to finance the projects authorized under subdivision 2 and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued under subdivision 3. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 14. **CITY OF MARSHALL; SALES AND USE TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Marshall, if approved by the voters at a general election held within two years of the date of final enactment of this section, may impose the tax authorized under subdivision 2. Two separate ballot questions must be presented to the voters, one for each of the two facility projects named in subdivision 3.

Subd. 2. **Sales and use tax authorized.** The city of Marshall may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, except subdivisions 1 and 2, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 3. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 2 must be used by the city of Marshall to pay the costs of collecting and administering the sales and use tax and to pay all or part of the costs of the new and existing facilities of the Minnesota Emergency Response and Industry

Training Center and all or part of the costs of the new facilities of the Southwest Minnesota Regional Amateur Sports Center. Authorized expenses include, but are not limited to, acquiring property, predesign, design, and paying construction, furnishing, and equipment costs related to these facilities and paying debt service on bonds or other obligations issued by the city of Marshall under subdivision 4 to finance the capital costs of these facilities.

Subd. 4. **Bonds.** (a) If the imposition of a sales and use tax is approved by the voters, the city of Marshall may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 3, and may issue bonds to refund bonds previously issued. The aggregate principal amount of bonds issued under this subdivision may not exceed \$17,290,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Marshall, including the tax authorized under subdivision 2.

(b) The bonds are not included in computing any debt limitation applicable to the city of Marshall, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 5. **Termination of taxes.** The tax imposed under subdivision 2 expires at the earlier of (1) 15 years after the tax is first imposed, or (2) when the city council determines that the amount of revenues received from the tax to pay for the capital and administrative costs of the facilities under subdivision 3 first equals or exceeds the amount authorized to be spent for the facilities plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 4, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Marshall with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 15. **CITY OF MEDFORD; SALES AND USE TAX.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 1, and 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election, the city of Medford may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section must be used by the city of Medford to pay the costs of collecting and administering the tax and to repay loans received from the Minnesota Public Facilities Authority since 2007 that were used to finance \$4,200,000 of improvements to the city's water and wastewater systems.

Subd. 3. **Termination of taxes.** The tax imposed under this section expires at the earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford City Council determines that the amount of revenues received from the tax equals or exceeds the sum of loans made to the city by the Minnesota Public Facilities Authority as described in subdivision 2, including interest on the loans. Any funds remaining after completion of the repayment of the loans may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Medford with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 6
PROPERTY TAXES

Section 1. Minnesota Statutes 2010, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, ~~noncommercial 4c(1), or 4c(4), or 4c(12)~~ under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 2. Minnesota Statutes 2010, 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~~ ten 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 2011, payable in 2012, and thereafter.

Sec. 3. Minnesota Statutes 2010, section 272.02, is amended by adding a subdivision to read:

Subd. 95. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property that is part of a multiple reciprocating engine electric generation facility that adds more than 20 and less than 30 megawatts of installed capacity at a site where there is presently more than ten megawatts and fewer than 15 megawatts of installed capacity and that meets the requirements of this subdivision is exempt from taxation and from payments in lieu of taxation. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;

(3) be located within one mile of an existing natural gas pipeline;

(4) be designed to have black start capability and to furnish emergency backup power service to the city in which it is located;

(5) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422; and

(6) have received, by resolution, the approval of the governing bodies of the city and county in which it is located for the exemption of personal property provided by this subdivision.

(b) Construction of the facility must be commenced after December 31, 2011, and before January 1, 2015. Property eligible for this exemption does not include (i) electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility; or (ii) property located on the site on the enactment date of this subdivision.

EFFECTIVE DATE. This section is effective for assessments in 2012, taxes payable in 2013, and thereafter.

Sec. 4. Minnesota Statutes 2010, section 273.111, is amended by adding a subdivision to read:

Subd. 17. **Appeal.** If an assessor denies an application for valuation under this section, the applicant may appeal the decision to the local board of appeal and equalization as provided under section 274.01, subdivision 1, paragraph (h).

EFFECTIVE DATE. This section is effective for appeals denied after June 30, 2011.

Sec. 5. Minnesota Statutes 2010, section 273.121, subdivision 1, is amended to read:

Subdivision 1. **Notice.** Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. Upon written request by the owner of the property, the assessor may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail. It shall contain: (1) the market value for the current and prior assessment, (2) ~~the limited market value under section 273.11, subdivision 1a, for the current and prior assessment,~~ (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, (4) (3) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) (4) the classification of the property for the current and prior assessment, (6) ~~a note that if the property is homestead and at least 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16,~~ (7) (5) the assessor's office address, and (8) (6) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. If the classification of the property has changed between the current and prior assessments, a specific note to that effect shall be prominently listed on the statement. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of management and budget of the amount necessary to provide such notices. The commissioner of management and budget shall issue a warrant for such amount and shall deduct such amount from any state

payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

EFFECTIVE DATE. This section is effective for notifications for taxes payable in 2013 and thereafter.

Sec. 6. Minnesota Statutes 2010, 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, excluding property qualifying for class 4d. 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. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(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; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; 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 property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational 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 and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, ~~including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes~~ for not 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. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. ~~Class 4c property under this clause must~~

~~provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle.~~ A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, ~~seasonal residential recreational for commercial purposes~~ under this clause, either (i) the business located on the property must provide recreational activities, 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) (A) 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) (B) 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 providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of this determination item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property classified under this clause also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and 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. ~~Owners of real and personal 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 4c.~~ In order for a property to qualify for classification under this clause, the owner 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 must be designated class 4c under this clause 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 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 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, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(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 three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) 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), (8), (10), or (19) of the Internal Revenue Code; and

(D) "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 not qualifying under either item (i) or (ii) is 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.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary 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) (i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(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;

(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;

(8) a 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 abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year; ~~and~~

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property not used for commercial purposes under clause (12) has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same class rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has the same class rate as class 4d property if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. 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 0.75 percent.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 7. Minnesota Statutes 2010, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran ~~or by the veteran and the~~ and serving as the veteran's spouse ~~qualifying for homestead classification under subdivision 22 or 23 under this section~~ is excluded in determining the property's taxable market value if ~~it serves as the homestead of a military veteran, as defined in section 197.447, who~~ has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, ~~and must be certified by the United States Veterans Administration as having a service-connected disability.~~

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for ~~one additional assessment year~~ the current taxes payable year and for five additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an annual application under paragraph (h).

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for five taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

~~(d)~~ (f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

~~(e)~~ (g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the credit under section 273.1384, subdivision 1 market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

~~(f)~~ (h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership. For an application received after July 1 of any calendar year, the exclusion shall become effective for the following assessment year.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) may be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

EFFECTIVE DATE. (a) This section is effective for taxes payable in 2012 and thereafter, and applies to homesteads that initially qualified for the exclusion for taxes payable in 2009 and thereafter.

(b) A qualifier under paragraph (c) that would have been eligible for a market value exclusion under this section for taxes payable in 2011, if the change under this section had been effective for that year, shall be eligible to receive the benefit of the exclusion for the remaining number of total taxes payable years provided under paragraph (c).

Sec. 8. Minnesota Statutes 2010, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year, provided that the board may review appeals of denials of green acres treatment as provided in paragraph (h) at any time. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

(h) The local board may, but is not required to, review appeals from property owners of denials by assessors of applications for valuation under section 273.111. If it intends to exercise the authority provided in this paragraph, the board must pass a resolution stating that it will do so, and must then review all such appeals until it passes a subsequent resolution stating that it will not review such appeals.

EFFECTIVE DATE. This section is effective for appeals denied after June 30, 2011.

Sec. 9. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount for commercial-industrial property is \$592,000,000 \$739,000,000 for taxes payable in 2002 2012. The state general levy base amount for seasonal recreational property is \$40,600,000 for taxes payable in 2012. For taxes payable in subsequent years 2013, the each levy base amount is increased ~~each year~~ by multiplying the levy base amount for ~~the prior year~~ taxes payable in 2012 by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 ~~of the year prior to the year the taxes are payable, 2012. For taxes payable in 2014 and 2015, the state general levy is \$743,000,000 for commercial-industrial property and \$40,500,000 for seasonal residential recreational property. For taxes payable in 2016, the state general levy is \$668,700,000 for commercial-industrial property and \$36,450,000 for seasonal residential recreational property. For taxes payable in 2017, the state general levy is \$594,400,000 for commercial-industrial property and \$32,400,000 for seasonal residential recreational property. For taxes payable in 2018, the state general levy is \$520,100,000 for commercial-industrial property and \$28,350,000 for seasonal residential recreational property. For taxes payable in 2019, the state general levy is \$445,800,000 for commercial-industrial property and \$24,300,000 for seasonal residential recreational property. For taxes payable in 2020, the state general levy is \$371,500,000 for commercial-industrial property and \$20,250,000 for seasonal residential recreational property. For taxes payable in 2021, the state general levy is \$297,200,000 for commercial-industrial property and \$16,200,000 for seasonal residential recreational property. For taxes payable in 2022, the state general levy is \$222,900,000 for commercial-industrial property and \$12,150,000 for seasonal residential recreational property. For taxes payable in 2023, the state general levy is \$148,600,000 for commercial-industrial property and \$8,100,000 for seasonal residential recreational property. For taxes payable in 2024, the state general levy is \$74,300,000 for commercial-industrial property and \$4,050,000 for seasonal residential recreational property. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.~~

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

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

(2) an erroneous calculation by the commissioner; and

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

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

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 10. Minnesota Statutes 2010, section 275.025, subdivision 3, is amended to read:

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class 1c under section 273.13, subdivision 22, and all class 4c(1) ~~and 4c(3)(ii)~~ and 4c(12) property under section 273.13, subdivision 25, except that the first \$76,000 of market value of each noncommercial class ~~4c(1)~~ 4c(12) property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 11. Minnesota Statutes 2010, section 275.025, subdivision 4, is amended to read:

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

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 12. Minnesota Statutes 2010, 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, provided that nothing in this subdivision limits the special levy authorized under section 475.755;
- (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) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;
- (6) 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 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;
- (7) 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, subdivision 2;
- (8) 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;
- (9) to pay an abatement under section 469.1815;
- (10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;
- (11) 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 (f), 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, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, 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;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. 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;

(13) 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;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

(20) for a city, for the unreimbursed costs of redeployed traffic-control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

(21) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year;

(22) an amount equal to any reductions in the certified aids or credit reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause for each year is limited to the amount unallotted or reduced from the aids and credit reimbursements certified for payment in the year following the

calendar year in which the tax levy is certified unless the unallotment or reduction amount is not known by September 1 of the levy certification year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case that unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; ~~and~~

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable, except for a reduction due to the repeal of section 273.1384, subdivision 1; and

(26) for the reduction in the county share of payments to the county under sections 97A.061 and 477A.11 to 477A.17 between payments certified in calendar year 2011 and the estimated amount of the county share in the year in which the levy is payable provided the reduction is at least one percent of the county's total payable 2011 certified levy.

EFFECTIVE DATE. This section is effective for taxes levied in 2011 and 2012.

Sec. 13. Minnesota Statutes 2010, section 275.71, subdivision 2, is amended to read:

Subd. 2. **Levy limit base.** (a) The levy limit base for a local governmental unit for taxes levied in 2008 is its levy aid base from the previous year, subject to any adjustments under section 275.72. For taxes levied in 2009 ~~and 2010~~ through 2012, the levy limit base for a local governmental unit is its adjusted levy limit base in the previous year, subject to any adjustments under section 275.72.

EFFECTIVE DATE. This section is effective for taxes levied in 2011 and 2012.

Sec. 14. Minnesota Statutes 2010, section 275.71, subdivision 4, is amended to read:

Subd. 4. **Adjusted levy limit base.** (a) For taxes levied in 2008 through ~~2010~~ 2012, the adjusted levy limit base is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus the percentage growth in the implicit price deflator, but the percentage shall not be less than zero or exceed 3.9 percent;

(2) one plus a percentage equal to 50 percent of the percentage increase in the number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and railroad property, for the most recent year for which data is available.

(b) If a city decertifies a tax increment finance district in the year in which the levy is set, the base amount determined under paragraph (a) is increased by an amount equal to the city's current year tax rate multiplied by the retained captured value for the district for the year prior to the year in which the levy is set, as reported on the TIF supplement to the abstract of tax lists.

EFFECTIVE DATE. This section is effective for taxes levied in 2011 and 2012.

Sec. 15. Minnesota Statutes 2010, section 275.71, subdivision 5, is amended to read:

Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through ~~2010~~ 2012, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 4 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount of aids and reimbursements that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (ii) 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, (iii) estimated payments to the local governmental unit under section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids under section 477A.16.

(b) If an aid, payment, or other amount used in paragraph (a) to reduce a local government unit's levy limit is reduced by an unallotment under section 16A.152, the amount of the aid, payment, or other amount prior to the unallotment is used in the computations in paragraph (a). In order for a local government unit to levy outside of its limit to offset the reduction in revenues attributable to an unallotment, it must do so under, and to the extent authorized by, a special levy authorization.

EFFECTIVE DATE. This section is effective for taxes levied in 2011 and 2012.

Sec. 16. **[275.761] MAINTENANCE OF EFFORT REQUIREMENTS SUSPENDED.**

(a) Notwithstanding any law to the contrary and except as provided in paragraphs (b) and (c), all maintenance of effort requirements for counties, including but not limited to those under sections 116L.872, 134.34, 245.4835, 245.4932, 245.714, 256F.10, and 256F.13, are suspended.

(b) This section does not permit a county to suspend compliance with maintenance of effort requirements to the extent that the suspension would:

(1) require the state to expend additional money or incur additional costs; or

(2) cause a reduction in the receipt by the state or the county of federal funds.

(c) The commissioner of management and budget may determine the maintenance of effort requirements that are not permitted, in whole or in part, to be suspended under paragraph (b). The commissioner shall publish these determinations on the department's Web site and no county may suspend compliance with a maintenance of effort requirement that the commissioner determines is not subject to suspension.

(d) Notwithstanding any law to the contrary, all statutory and home rule charter cities are exempt from the maintenance of effort requirements under section 134.34.

EFFECTIVE DATE. This section is effective for maintenance of effort requirements in calendar years 2012 and 2013.

Sec. 17. **REPEALER.**

Minnesota Statutes 2010, section 275.025, is repealed.

EFFECTIVE DATE. This section is effective for taxes levied in 2024, payable in 2025, and thereafter.

ARTICLE 7

AIDS, CREDITS, PAYMENTS, AND REFUNDS

Section 1. Minnesota Statutes 2010, section 88.49, subdivision 5, is amended to read:

Subd. 5. **Cancellation.** Upon the failure of the owner faithfully to fulfill and perform such contract or any provision thereof, or any requirement of sections 88.47 to 88.53, or any rule adopted by the commissioner thereunder, the commissioner may cancel the contract in the manner herein provided. The commissioner shall give to the owner, in the manner prescribed in section 88.48, subdivision 4, 60 days' notice of a hearing thereon at which the owner may appear and show cause, if any, why the contract should not be canceled. The commissioner shall thereupon determine whether the contract should be canceled and make an order to that effect. Notice of the commissioner's determination and the making of the order shall be given to the owner in the manner provided in section 88.48, subdivision 4. On determining that the contract should be canceled and no appeal therefrom be taken, the commissioner shall send notice thereof to the auditor of the county and to the town clerk of the town affected and file with the recorder a certified copy of the order, who shall forthwith note the cancellation upon the record thereof, and thereupon the land therein described shall cease to be an auxiliary forest and, together with the timber thereon, become liable to all taxes and assessments that otherwise would have been levied against it had it never been an auxiliary forest from the time of the making of the contract, any provisions of the statutes of limitation to the contrary notwithstanding, less the amount of taxes paid under the provisions of section 88.51, subdivision 1, together with interest on such taxes and assessments at six percent per annum, but without penalties.

The commissioner may in like manner and with like effect cancel the contract upon written application of the owner.

~~The commissioner shall cancel any contract if the owner has made successful application under sections 290C.01 to 290C.11, the Sustainable Forest Incentive Act, and has paid to the county treasurer the difference between the amount which would have been paid had the land under contract been subject to the Minnesota Tree Growth Tax Law and the Sustainable Forest Incentive Act from the date of the recording of the contract and the amount actually paid under section 88.51, subdivisions 1 and 2. This tax difference must be calculated based on the years the lands would have been taxed under the Tree Growth Tax Law and the Sustainable Forest Incentive Act. The sustainable forest tax difference is net of the incentive payment of section 290C.07. If the amount which would have been paid, had the land under contract been under the Minnesota Tree Growth Tax Law and the Sustainable Forest Incentive Act from the date of the filing of the contract, is less than the amount actually paid under the contract, the cancellation shall be made without further payment by the owner.~~

When the execution of any contract creating an auxiliary forest shall have been procured through fraud or deception practiced upon the county board or the commissioner or any other person or body representing the state, it may be canceled upon suit brought by the attorney general at the direction of the commissioner. This cancellation shall have the same effect as the cancellation of a contract by the commissioner.

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

Sec. 2. Minnesota Statutes 2010, section 88.49, subdivision 9a, is amended to read:

Subd. 9a. **Land trades with governmental units.** Notwithstanding subdivisions 6 and 9, or section 88.491, subdivision 2, if an owner trades land under auxiliary forest contract for land owned by a governmental unit and the owner agrees to use the land received in trade from the governmental unit for the production of forest products, upon resolution of the county board, no taxes and assessments shall be levied against the land traded, except that any current or delinquent annual taxes or yield taxes due on that land while it was under the auxiliary forest provision must be paid prior to the land exchange. ~~The land received from the governmental unit in the land trade automatically qualifies for inclusion in the Sustainable Forest Incentive Act.~~

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

Sec. 3. Minnesota Statutes 2010, section 97A.061, subdivision 1, is amended to read:

Subdivision 1. **Applicability; amount.** (a) The commissioner shall annually make a payment to each county having public hunting areas and game refuges. Money to make the payments is annually appropriated for that purpose from the general fund. Except as provided in paragraph (b), this section does not apply to state trust fund land and other state land not purchased for game refuge or public hunting purposes. Except as provided in paragraph (b), the payment shall be the greatest of:

(1) ~~35~~ 30.8 percent of the gross receipts from all special use permits and leases of land acquired for public hunting and game refuges;

(2) ~~50~~ 44 cents per acre on land purchased actually used for public hunting or game refuges; or

(3) ~~three-fourths of one~~ .66 percent of the appraised value of purchased land actually used for public hunting and game refuges.

(b) The payment shall be 50 percent of the dollar amount ~~adjusted for inflation~~ as determined under section 477A.12, subdivision 1, paragraph (a), clause (1), multiplied by the number of acres of land in the county that are owned by another state agency for military purposes and designated as a game refuge under section 97A.085.

(c) The payment must be reduced by the amount paid under subdivision 3 for croplands managed for wild geese.

(d) The appraised value is the purchase price for five years after acquisition. The appraised value shall be determined by the county assessor every five years after acquisition.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 4. Minnesota Statutes 2010, section 97A.061, subdivision 3, is amended to read:

Subd. 3. **Goose management croplands.** (a) The commissioner shall make a payment on July 1 of each year to each county where the state owns more than 1,000 acres of crop land, for wild goose management purposes. The payment shall be equal to 88 percent of the taxes assessed on comparable, privately owned, adjacent land. Money to make the payments is annually appropriated for that purpose from the general fund. The county treasurer shall allocate and distribute the payment as provided in subdivision 2.

(b) The land used for goose management under this subdivision is exempt from taxation as provided in sections 272.01 and 273.19.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 5. Minnesota Statutes 2010, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, noncommercial 4c(1), or 4c(4) under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. For the purposes of this subdivision, in the case of class 1a, 1b, or 2a property, "market value" means the value prior to the exclusion under section 273.13, subdivision 35. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its ~~net tax capacity~~ market value times its class rate, multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 6. Minnesota Statutes 2010, 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, ~~or a sustainable forest tax payment to a claimant under chapter 290C.~~

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 the day following final enactment.

Sec. 7. Minnesota Statutes 2010, section 273.114, subdivision 2, as amended by Laws 2011, chapter 13, section 2, is amended to read:

Subd. 2. **Requirements.** Class 2b property that had been properly enrolled under section 273.111 for taxes payable in 2008, or that is part of an agricultural homestead under section 273.13, subdivision 23, paragraph (a), at least a portion of which is enrolled under section 273.111, is entitled to valuation and tax deferral under this section if:

(1) the property is contiguous to class 2a property enrolled under section 273.111 under the same ownership;

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

(3) the property is not also enrolled for valuation and deferral under section 273.111 or 273.112, or chapter ~~290C or~~ 473H.

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

Sec. 8. Minnesota Statutes 2010, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a net class rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a net class rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan ~~that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program.~~ It has a class rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. For purposes of this paragraph, a "forest management plan" means a written document providing a framework for site-specific healthy, productive, and sustainable forest resources. A forest management plan must include at least the following: (i) forest management goals for the land; (ii) a reliable field inventory of the individual forest cover types, their age, and density; (iii) a description of the soil type and quality; (iv) an aerial photo and/or map of the vegetation and other natural features of the land clearly indicating the boundaries of the land and of the forest land; (v) the proposed future conditions of the land; (vi) prescriptions to meet proposed future conditions of the land; (vii) a recommended timetable for implementing the prescribed activities; and (viii) a legal description of the land encompassing the parcels included in the plan. All management activities prescribed in a plan must be in accordance with the recommended timber harvesting and forest management guidelines. The commissioner of natural resources shall provide a framework for plan content and updating and revising plans.

(e) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(f) Real estate of less than ten acres, which is exclusively or intensively used for raising or cultivating agricultural products, shall be considered as agricultural land. To qualify under this paragraph, property that includes a residential structure must be used intensively for one of the following purposes:

(i) for drying or storage of grain or storage of machinery or equipment used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used to produce nursery stock are considered agricultural land;

(iii) for livestock or poultry confinement, provided that land that is used only for pasturing and grazing does not qualify; or

(iv) for market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a class rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a class rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective for taxes levied in 2011, payable in 2012, and thereafter.

Sec. 9. Minnesota Statutes 2010, section 273.13, is amended by adding a subdivision to read:

Subd. 35. Homestead market value exclusion. (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 10. Minnesota Statutes 2010, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under ~~this section~~ subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted by the county auditors under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The ~~credits~~ credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 11. Minnesota Statutes 2010, section 273.1384, subdivision 4, is amended to read:

Subd. 4. **Payment.** (a) The commissioner of revenue shall reimburse each local taxing jurisdiction, other than school districts, for the tax reductions granted under ~~this section~~ subdivision 2 in two equal installments on October 31 and December 26 of the taxes payable year for which the reductions are granted, including in each payment the prior year adjustments certified on the abstracts for that taxes payable year. The reimbursements related to tax increments shall be issued in one installment each year on December 26.

(b) The commissioner of revenue shall certify the total of the tax reductions granted under ~~this section~~ subdivision 2 for each taxes payable year within each school district to the commissioner of the Department of Education and the commissioner of education shall pay the reimbursement amounts to each school district as provided in section 273.1392.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 12. Minnesota Statutes 2010, section 273.1393, is amended to read:

273.1393 COMPUTATION OF NET PROPERTY TAXES.

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

- (1) disaster credit as provided in sections 273.1231 to 273.1235;
- (2) powerline credit as provided in section 273.42;

- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;
- (5) disparity reduction credit;
- (6) conservation tax credit as provided in section 273.119;
- (7) ~~homestead and agricultural credits~~ credit as provided in section 273.1384;
- (8) taconite homestead credit as provided in section 273.135;
- (9) supplemental homestead credit as provided in section 273.1391; and
- (10) the bovine tuberculosis zone credit, as provided in section 273.113.

The combination of all property tax credits must not exceed the gross tax amount.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 13. Minnesota Statutes 2010, section 273.1398, subdivision 3, is amended to read:

Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified in 2012 and subsequent years for each taxing school district within each unique taxing jurisdiction ~~for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on market values for taxes payable in the year prior to that for which aid is being computed~~ is equal to the amount certified for aid payable in 2011.

EFFECTIVE DATE. This section is effective for aid payable in 2012 and thereafter.

Sec. 14. Minnesota Statutes 2010, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the

case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's homestead market value exclusion under section 273.13, subdivision 35;

~~(2)~~ (3) the property's taxable market value after reductions under section sections 273.11, subdivisions 1a and 16, and 273.13, subdivision 35;

~~(3)~~ (4) the property's gross tax, before credits;

~~(4)~~ (5) for homestead residential and agricultural properties, the credits credit under section 273.1384;

~~(5)~~ (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

~~(6)~~ (7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 15. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 16. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 17. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes" means ~~49~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and thereafter.

Sec. 18. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes

payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include ~~19~~ 15 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

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

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 19. Minnesota Statutes 2010, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	\$1,850
1,190 to 2,379	1.1 percent	15 percent	\$1,850
2,380 to 3,589	1.2 percent	15 percent	\$1,800
3,590 to 4,789	1.3 percent	20 percent	\$1,800
4,790 to 5,979	1.4 percent	20 percent	\$1,730
5,980 to 8,369	1.5 percent	20 percent	\$1,730
8,370 to 9,559	1.6 percent	25 percent	\$1,670
9,560 to 10,759	1.7 percent	25 percent	\$1,670
10,760 to 11,949	1.8 percent	25 percent	\$1,610
11,950 to 13,139	1.9 percent	30 percent	\$1,610
13,140 to 14,349	2.0 percent	30 percent	\$1,540
14,350 to 16,739	2.1 percent	30 percent	\$1,540
16,740 to 17,929	2.2 percent	35 percent	\$1,480
17,930 to 19,119	2.3 percent	35 percent	\$1,480
19,120 to 20,319	2.4 percent	35 percent	\$1,420
20,320 to 25,099	2.5 percent	40 percent	\$1,420
25,100 to 28,679	2.6 percent	40 percent	\$1,360
28,680 to 35,849	2.7 percent	40 percent	\$1,360
35,850 to 41,819	2.8 percent	45 percent	\$1,240

41,820 to 47,799	3.0 percent	45 percent	\$1,240
47,800 to 53,779	3.2 percent	45 percent	\$1,110
53,780 to 59,749	3.5 percent	50 percent	\$990
59,750 to 65,729	3.5 percent	50 percent	\$870
65,730 to 69,319	3.5 percent	50 percent	\$740
69,320 to 71,719	3.5 percent	50 percent	\$610
71,720 to 74,619	3.5 percent	50 percent	\$500
74,620 to 77,519	3.5 percent	50 percent	\$370

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 1,549</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$2,460</u>
<u>1,550 to 3,089</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$2,460</u>
<u>3,090 to 4,669</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$2,460</u>
<u>4,670 to 6,229</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$2,460</u>
<u>6,230 to 7,769</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$2,460</u>
<u>7,770 to 10,879</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$2,460</u>
<u>10,880 to 12,429</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$2,460</u>
<u>12,430 to 13,989</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$2,460</u>
<u>13,990 to 15,539</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$2,460</u>
<u>15,540 to 17,079</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$2,460</u>
<u>17,080 to 18,659</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$2,460</u>
<u>18,660 to 21,759</u>	<u>2.1 percent</u>	<u>25 percent</u>	<u>\$2,460</u>
<u>21,760 to 23,309</u>	<u>2.2 percent</u>	<u>30 percent</u>	<u>\$2,460</u>
<u>23,310 to 24,859</u>	<u>2.3 percent</u>	<u>30 percent</u>	<u>\$2,460</u>
<u>24,860 to 26,419</u>	<u>2.4 percent</u>	<u>30 percent</u>	<u>\$2,460</u>
<u>26,420 to 32,629</u>	<u>2.5 percent</u>	<u>35 percent</u>	<u>\$2,460</u>
<u>32,630 to 37,279</u>	<u>2.6 percent</u>	<u>35 percent</u>	<u>\$2,460</u>
<u>37,280 to 46,609</u>	<u>2.7 percent</u>	<u>35 percent</u>	<u>\$2,000</u>
<u>46,610 to 54,369</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$2,000</u>
<u>54,370 to 62,139</u>	<u>2.8 percent</u>	<u>40 percent</u>	<u>\$1,750</u>
<u>62,140 to 69,909</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$1,440</u>
<u>69,910 to 77,679</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$1,290</u>
<u>77,680 to 85,449</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$1,130</u>
<u>85,450 to 90,119</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$960</u>
<u>90,120 to 93,239</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$790</u>
<u>93,240 to 97,009</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$650</u>
<u>97,010 to 100,779</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$480</u>

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$77,520~~ \$100,780 or more.

EFFECTIVE DATE. This section is effective beginning with refunds based on taxes payable in 2012.

Sec. 20. Minnesota Statutes 2010, section 290A.04, subdivision 2a, is amended to read:

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 3,589 <u>4,599</u>	1.0 percent	5 percent	\$1,190 <u>1,520</u>
3,590 to 4,779 <u>4,600 to 6,119</u>	1.0 percent	10 percent	\$1,190 <u>1,520</u>
4,780 to 5,969 <u>6,120 to 7,639</u>	1.1 percent	10 percent	\$1,190 <u>1,520</u>
5,970 to 8,369 <u>7,640 to 10,719</u>	1.2 percent	10 percent	\$1,190 <u>1,520</u>
8,370 to 10,759 <u>10,720 to 13,779</u>	1.3 percent	15 percent	\$1,190 <u>1,520</u>
10,760 to 11,949 <u>13,780 to 15,299</u>	1.4 percent	15 percent	\$1,190 <u>1,520</u>
11,950 to 13,139 <u>15,300 to 16,819</u>	1.4 percent	20 percent	\$1,190 <u>1,520</u>
13,140 to 15,539 <u>16,820 to 19,899</u>	1.5 percent	20 percent	\$1,190 <u>1,520</u>
15,540 to 16,729 <u>19,900 to 21,419</u>	1.6 percent	20 percent	\$1,190 <u>1,520</u>
16,730 to 17,919 <u>21,420 to 22,939</u>	1.7 percent	25 percent	\$1,190 <u>1,520</u>
17,920 to 20,319 <u>22,940 to 26,009</u>	1.8 percent	25 percent	\$1,190 <u>1,520</u>
20,320 to 21,509 <u>26,010 to 27,539</u>	1.9 percent	30 percent	\$1,190 <u>1,500</u>
21,510 to 22,699 <u>27,540 to 29,059</u>	2.0 percent	30 percent	\$1,190 <u>1,400</u>
22,700 to 23,899 <u>29,060 to 30,599</u>	2.2 percent	30 percent	\$1,190 <u>1,300</u>
23,900 to 25,089 <u>30,600 to 32,119</u>	2.4 percent	30 percent	\$1,190 <u>1,200</u>
25,090 to 26,289 <u>32,120 to 33,659</u>	2.6 percent	35 percent	\$1,190 <u>1,000</u>
26,290 to 27,489 <u>33,660 to 35,189</u>	2.7 percent	35 percent	\$1,190 <u>1,000</u>
27,490 to 28,679 <u>35,190 to 36,719</u>	2.8 percent	35 percent	\$1,190 <u>750</u>
28,680 to 29,869 <u>36,720 to 38,239</u>	2.9 percent	40 percent	\$1,190 <u>500</u>
29,870 to 31,079 <u>38,240 to 39,999</u>	3.0 percent	40 percent	\$1,190 <u>250</u>
31,080 to 32,269	3.1 percent	40 percent	\$1,190
32,270 to 33,459	3.2 percent	40 percent	\$1,190
33,460 to 34,649	3.3 percent	45 percent	\$1,080
34,650 to 35,849	3.4 percent	45 percent	\$960
35,850 to 37,049	3.5 percent	45 percent	\$830
37,050 to 38,239	3.5 percent	50 percent	\$720
38,240 to 39,439	3.5 percent	50 percent	\$600
38,440 to 40,629	3.5 percent	50 percent	\$360
40,630 to 41,819	3.5 percent	50 percent	\$120

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

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 21. Minnesota Statutes 2010, section 290A.04, is amended by adding a subdivision to read:

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

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 4,599</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$1,000</u>
<u>4,600 to 6,119</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$1,000</u>
<u>6,120 to 7,639</u>	<u>1.1 percent</u>	<u>20 percent</u>	<u>\$1,000</u>

<u>7,640 to 10,719</u>	<u>1.2 percent</u>	<u>20 percent</u>	<u>\$900</u>
<u>10,720 to 13,779</u>	<u>1.3 percent</u>	<u>25 percent</u>	<u>\$800</u>
<u>13,780 to 15,299</u>	<u>1.4 percent</u>	<u>25 percent</u>	<u>\$800</u>
<u>15,300 to 16,819</u>	<u>1.4 percent</u>	<u>30 percent</u>	<u>\$600</u>
<u>16,820 to 19,899</u>	<u>1.5 percent</u>	<u>30 percent</u>	<u>\$600</u>
<u>19,900 to 21,419</u>	<u>1.6 percent</u>	<u>35 percent</u>	<u>\$400</u>
<u>21,420 to 22,939</u>	<u>1.7 percent</u>	<u>35 percent</u>	<u>\$400</u>
<u>22,940 to 24,999</u>	<u>1.8 percent</u>	<u>40 percent</u>	<u>\$200</u>

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

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 22. Minnesota Statutes 2010, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under ~~subdivisions subdivision 2 and 2a~~ subdivision 2 for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2011, to the year ending on June 30 of the year preceding that in which the refund is payable.

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

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

EFFECTIVE DATE. The changes to this section relating to refunds under subdivision 2 are effective beginning for refunds based on taxes payable in 2013 and the changes relating to refunds under subdivision 2a are effective beginning for refunds based on rent paid in 2011.

Sec. 23. **[373.51] ALTERNATIVE PROCESS FOR CONSOLIDATION.**

Notwithstanding the provisions relating to petitions in sections 371.02 and 371.03, two or more counties may begin the process for consolidation by filing with the secretary of state a resolution unanimously adopted by the board of each affected county to seek voter approval for consolidation of the counties following the procedures in chapter 371.

Sec. 24. Minnesota Statutes 2010, section 477A.011, is amended by adding a subdivision to read:

Subd. 1c. **First class city.** "First class city" means a city of the first class as of 2009 as defined in section 410.01.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 25. Minnesota Statutes 2010, section 477A.011, subdivision 20, is amended to read:

Subd. 20. **City net tax capacity.** "City net tax capacity" means (1) the net tax capacity computed using the net tax capacity rates in section 273.13 for taxes payable in the year of the aid distribution, and the market values, after the exclusion in section 273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2, paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing city net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values.

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

Sec. 26. Minnesota Statutes 2010, section 477A.0124, is amended by adding a subdivision to read:

Subd. 6. **Aid payments in 2011 and 2012.** Notwithstanding total aids calculated or certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under subdivisions 3 to 5.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and 2012.

Sec. 27. Minnesota Statutes 2010, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** The formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by the average of its unmet need for the most recently available two years.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities. For first class cities, the formula aid is 25 percent of its base aid as defined in subdivision 11, paragraph (a), for aids payable in 2013 and zero for aids payable in 2014 and thereafter.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated except that the data used to compute "net levy" in subdivision 9 is the data most recently available at the time of the aid computation.

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

Sec. 28. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) For aids payable in ~~2011~~ 2013 only, the total aid in the previous year for any city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~ 2012 under ~~this section minus the amount of its aid reduction under section 477A.0134~~ subdivision 11. For aids payable in ~~2012~~ 2014 and thereafter, the total aid in the previous year for any city means the amount of aid it was certified to receive under this section in the previous payable year.

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

(d) For aids payable in 2010 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus the lesser of \$10 multiplied by its population, or five percent of its 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a population less than 2,500 must not be less than what it received under this section in the previous year unless its total aid in calendar year 2008 was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum aid is zero.

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

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

(g) Notwithstanding paragraphs (a) to (f), the total aid for a first class city is its formula aid under subdivision 8.

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

Sec. 29. Minnesota Statutes 2010, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. Aid payments in 2011 and 2012. (a) For purposes of this subdivision, "base aid" means the lesser of (1) the total amount of aid it received under this section in 2010, after the reductions under sections 477A.0133 and 477A.0134 and reduced by the amount of payments under section 477A.011, subdivision 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under subdivision 9. In 2011 only, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011. In 2012, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011, minus the aid base adjustment provided under section 477A.011, subdivision 36, paragraph (aa).

(b) Notwithstanding aids calculated or certified for aids payable in 2011 under subdivision 9, in 2011 each city shall receive an aid distribution under this section as follows:

(1) for a first class city, 75 percent of its base aid as defined in paragraph (a); and

(2) for any other city, its base aid as determined under paragraph (a).

(c) Notwithstanding aids calculated or certified for aids payable in 2012 under subdivision 9, in 2012 each city shall receive an aid distribution under this section as follows:

(1) for a first class city, 50 percent of its base aid as defined in paragraph (a); and

(2) for any other city, its base aid as defined under paragraph (a).

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2011 and 2012.

Sec. 30. Minnesota Statutes 2010, section 477A.03, is amended to read:

477A.03 APPROPRIATION.

Subd. 2. **Annual appropriation.** 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.

Subd. 2a. **Cities.** For aids payable in 2013 only, the total aid paid under section 477A.013, subdivision 9, is \$318,774,184. For aids payable in ~~2014~~ 2014 and thereafter, the total aid paid under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$283,292,875.

Subd. 2b. **Counties.** (a) For aids payable in ~~2014~~ 2013 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$78,218,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. ~~For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years,~~ The amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in ~~2014~~ 2013 and thereafter, the total aid under section 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$83,133,000. The commissioner of management and budget shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of management and budget and the commissioner of education for the preparation of local impact notes.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 31. Minnesota Statutes 2010, section 477A.11, subdivision 1, is amended to read:

Subdivision 1. **Terms.** For the purpose of sections 477A.11 to ~~477A.145~~ 477A.14, the terms defined in this section have the meanings given them.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 32. Minnesota Statutes 2010, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** (a) 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 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~~ 477A.14. The amounts are:

(1) for acquired natural resources land, ~~\$3, as adjusted for inflation under section 477A.145, \$4.517~~ multiplied by the total number of acres of acquired natural resources land or, at the county's option ~~three-fourths of one~~ 0.66 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, \$1.129~~ multiplied by the number of acres of county-administered other natural resources land;

(3) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.129~~ multiplied by the total number of acres of land utilization project land; and

(4) ~~37.5 cents, as adjusted for inflation under section 477A.145, 56.5 cents~~ 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) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the Department of Transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 33. Minnesota Statutes 2010, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. **General distribution.** Except as provided in subdivision 2 or 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, 56.5 cents~~ 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, as adjusted for inflation under section 477A.145, 45.2 cents~~ for each acre of acquired natural resources land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and ~~7.5 cents, as adjusted for inflation under section 477A.145, 11.3 cents~~ for each acre of other natural resources land and each acre of land utilization project 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 is effective for aids payable in calendar year 2011 and thereafter.

Sec. 34. Minnesota Statutes 2010, section 477A.17, is amended to read:

477A.17 LAKE VERMILION STATE PARK AND SOUDAN UNDERGROUND MINE STATE PARK; ANNUAL PAYMENTS.

(a) Beginning in fiscal year 2012, in lieu of the payment amount provided under section 477A.12, subdivision 1, clause (1), the county shall receive an annual payment for land acquired for Lake Vermilion State Park, established in section 85.012, subdivision 38a, and land within the boundary of Soudan Underground Mine State Park, established in section 85.012, subdivision 53a, equal to ~~4.5~~ 1.32 percent of the appraised value of the land.

(b) For the purposes of this section, the appraised value of the land acquired for Lake Vermilion State Park for the first five years after acquisition shall be the purchase price of the land, plus the value of any portion of the land that is acquired by donation. The appraised value must be redetermined by the county assessor every five years after the land is acquired.

(c) The annual payments under this section shall be distributed to the taxing jurisdictions containing the property as follows: one-third to the school districts; one-third to the town; and one-third to the county. The payment to school districts is not a county apportionment under section 127A.34 and is not subject to aid recapture. Each of those taxing jurisdictions may use the payments for their general purposes.

(d) Except as provided in this section, the payments shall be made as provided in sections 477A.11 to 477A.13.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 35. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

In administering this bill for claims for refunds submitted using 19 percent of gross rent as rent constituting property taxes under prior law, the commissioner shall recalculate and pay the refund amounts using 15 percent of gross rent, subject to the reduced maximum income limits, maximum refunds, and increased copayment percentages in this bill. The commissioner shall notify the claimant that the recalculation was mandated by action of the 2011 Legislature.

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

Sec. 36. **CREDIT REDUCTIONS AND LIMITATION; COUNTIES AND CITIES.**

In 2011, the market value credit reimbursement payment to each county and city authorized under Minnesota Statutes, section 273.1384, subdivision 4, may not exceed the reimbursement payment received by the county or city for taxes payable in 2010.

EFFECTIVE DATE. This section is effective for credit reimbursements in 2011.

Sec. 37. **PROPERTY TAX STATEMENT FOR TAXES PAYABLE IN 2012 ONLY.**

For the purposes of the property tax statements required under Minnesota Statutes, section 276.04, subdivision 2, for taxes payable in 2012 only, the gross tax amount shown for the previous year is the gross tax minus the residential homestead market value credit.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 only.

Sec. 38. **REPORT ON PAYMENT IN LIEU OF TAXES FOR STATE NATURAL RESOURCE LANDS.**

By December 1, 2011, the commissioner of natural resources, after consultation with the commissioners of revenue and management and budget, and stakeholders, including representatives from affected local units of government and other interested parties, shall report to the chairs and ranking minority caucus members of the senate and house of representatives natural resources and tax policy and finance committees with recommended changes to payment in lieu of taxes for natural resource lands under Minnesota Statutes, sections 97A.061 and 477A.11 to 477A.145. The report shall include an analysis of the current payment and distribution system, and any recommended changes to:

- (1) the purpose of the payment system and the criteria for payments;
- (2) the rate of payments for specific classes of natural resource lands;
- (3) the formula for distribution of the payments to local units of government; and
- (4) recognition in the amount of the payments of the tax capacity foregone by the local government due to the loss of the future development potential of the land.

Sec. 39. **COOPERATION AND CONSOLIDATION GRANTS.**

Subdivision 1. **Definition.** For the purposes of this section, "local government" means a town, county, or home rule charter or statutory city.

Subd. 2. **Grants.** The commissioner of administration may make a cooperation and consolidation grant to a local government that is participating with at least one other local government in planning for or implementing provision of services cooperatively or in planning and implementing consolidation of services, functions, or governance. The grants shall be made on a first-come first-served basis. The commissioner shall determine the form and content of the application and grant agreements. At a minimum, an application must contain a resolution adopted by the governing body of each participating local government supporting the cooperation or consolidation effort that identifies the services and functions the local government is considering providing cooperatively with one or more other local governments or that identifies the functions the local governments seek to consolidate. The maximum grant amount is \$100,000 per local government.

Subd. 3. **Report.** The commissioner of administration must report to the governor and legislative committees with jurisdiction over local government governance and local government taxes and finance on the cooperation and consolidation grants made and how the money was used, what services and functions have been provided by local governments in cooperation with each other, what programs or governance structures have been proposed for consolidation or consolidated, and what impediments remain that prevent cooperation, consolidation, and service innovation. An interim report is due February 1, 2012, and a final report is due December 15, 2012.

Subd. 4. **Appropriation.** \$1,000,000 in fiscal year 2012, and \$2,500,000 in fiscal year 2013, are appropriated from the general fund to the commissioner of administration to make grants to counties as provided in this section.

Sec. 40. **SUSTAINABLE FOREST INCENTIVE ACT REPEAL; TRANSITION PAYMENTS; APPROPRIATION.**

(a) Given the limits on state budgetary resources for the coming and future fiscal biennia, the projected cost of the sustainable forest resource management incentive program under Minnesota Statutes, chapter 290C, of over \$31,000,000 for the fiscal 2012 and 2013 biennium, and the minimal amount of tangible public benefits of that program, the legislature determines that it is prudent and necessary to repeal that program effective immediately to

help balance the state budget for the fiscal 2012 and 2013 biennium and to help provide permanent structural balance to the state budget. The legislature takes notice of and finds that many of the eligibility requirements for participants in the sustainable forest incentive program are in the participants' own financial interests, determined without regard to whether they receive state payments for doing so, and that the participants with the largest amounts of acreage in the program do follow and would likely continue to follow similar or more stringent management practices, regardless of whether the program exists. The legislature further finds that the modification of the sustainable forest incentive program made by Laws 2009, chapter 88, article 10, section 16, increased the per acre payments made to program claimants for fiscal year 2011 by approximately 80 percent, even though it was intended by the 2009 legislature to have little or no effect on the per acre amount of the payments. As a result, this legislative change provided unintended and windfall benefits to almost all the claimants.

(b) On or before October 1, 2011, the commissioner of revenue shall pay to:

(1) each claimant whose fiscal year 2011 payment was \$100,000 under Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision 3, a transition payment equal to one-twelfth for each month, or part of a month, of calendar year 2011 in which the claimant's covenant was in effect, multiplied by \$100,000, except that this payment must be reduced, but not below zero, by the increase, if any, in the claimant's 2010 total payment resulting from the increase in the per acre payment rates between 2009 and 2010; and

(2) each claimant who was eligible for a payment in calendar year 2011 and who received no payment for calendar year 2010, a transition payment of \$3.75 per acre of land enrolled in the program, but not to exceed the amount allowed per claimant to claimants receiving payments under clause (1).

Because claimants not covered by clauses (1) or (2) received much larger per acre payments than intended for calendar year 2010, no transition payments are provided to them.

For purposes of this paragraph (b), "claimant" refers to each Social Security number or state or federal business tax identification number.

(c) An amount sufficient to make the transition payments required under paragraph (b) is appropriated to the commissioner of revenue from the general fund.

(d) Land that had been enrolled in the sustainable forest incentive program on May 1, 2011, may be reclassified as class 2(c) managed forest land for taxes payable in 2012 if the owner applies to the assessor for the reclassification before September 1, 2011, notwithstanding the application date in Minnesota Statutes, section 273.13, subdivision 23, paragraph (d).

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

Sec. 41. **REPEALER.**

(a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967, subdivision 2, are repealed.

(b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

(c) Minnesota Statutes 2010, sections 275.295; and 477A.145, are repealed.

(d) Minnesota Statutes 2010, section 273.1384, subdivisions 1 and 6, are repealed.

(e) Minnesota Statutes 2010, sections 13.4967, subdivision 2b; 290C.01; 290C.02; 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12; and 290C.13, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for refund claims based on contributions made after June 30, 2011. Paragraph (c) is effective for aids payable in 2011 and thereafter. Paragraph (d) is effective for taxes payable in 2012 and thereafter. Paragraph (e) is effective the day following final enactment, and the covenants under the program are void on that date. No later than 90 days after enactment of this section, the commissioner of revenue shall issue a document to each enrollee releasing the land from the covenant as provided in Minnesota Statutes 2010, section 290C.04, paragraph (e), effective the day following final enactment.

ARTICLE 8

MINERALS

Section 1. Minnesota Statutes 2010, section 272.02, is amended by adding a subdivision to read:

Subd. 95. Property used in the business of mining subject to the net proceeds tax. The following property used in the business of mining that is subject to the net proceeds tax under section 298.015 is exempt:

(1) deposits of ores, metals, and minerals and the lands in which they are contained;

(2) all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals, including lands occupied by or used in connection with the mining, quarrying, production, or ore refining facilities; and

(3) concentrate or direct reduced ore.

This exemption applies for each year that a person subject to tax under section 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or minerals.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 2. Minnesota Statutes 2010, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining or production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 3. Minnesota Statutes 2010, section 298.001, is amended by adding a subdivision to read:

Subd. 10. Refining. "Refining" means and is limited to refining:

(1) of ores, metals, or mineral products, the mining, extraction, or quarrying of which were subject to tax under section 298.015; and

(2) carried out by the entity, or an affiliated entity, that mined, extracted, or quarried the metal or mineral products.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 4. Minnesota Statutes 2010, section 298.01, subdivision 3, is amended to read:

Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 298.01, subdivision 3a, is amended to read:

Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income under subdivision 3, gross income is determined by the amount of gross proceeds from mining in this state under section 298.016 and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state. If more than one ore, mineral, or metal, or energy resource referred to in section 298.016 is mined and processed at the same mine and plant, a gross income for each ore, mineral, or metal, or energy resource must be determined separately. The gross incomes may be combined on one occupation tax return to arrive at the gross income of all production.

(b) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals that are subject to tax under this chapter are deemed to be sales in this state.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 6. Minnesota Statutes 2010, section 298.015, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** A person engaged in the business of mining shall pay to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax equal to two percent of the net proceeds from mining in Minnesota. The tax applies to all ~~mineral and energy resources~~ ores, metals, and minerals mined ~~or~~, extracted, produced, or refined within the state of Minnesota except for sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore, and taconite concentrates. The tax is in addition to all other taxes provided for by law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 7. Minnesota Statutes 2010, section 298.015, subdivision 2, is amended to read:

Subd. 2. **Net proceeds.** For purposes of this section, the term "net proceeds" means the gross proceeds from mining, as defined in section 298.016, less the deductions ~~allowed in section 298.017 for purposes of determining taxable income under section 298.01, subdivision 3b, applied to the mining, production, processing, beneficiation, smelting, or refining of metal or mineral products.~~ No other credits or deductions shall apply to this tax ~~except for those provided in section 298.017.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 8. Minnesota Statutes 2010, section 298.016, subdivision 4, is amended to read:

Subd. 4. ~~Definitions~~ **Metal or mineral products; definition.** For the purposes of ~~sections 298.015 and 298.017 this section, the terms defined in this subdivision have the meaning given them unless the context clearly indicates otherwise.~~

(a) "metal or mineral products" means all those ~~mineral and energy resources~~ ores, metals, and minerals subject to the tax provided in section 298.015.

(b) ~~"Exploration" means activities designed and engaged in to ascertain the existence, location, extent, or quality of any deposit of metal or mineral products prior to the development of a mining site.~~

(c) ~~"Development" means activities designed and engaged in to prepare or develop a potential mining site for mining after the existence of metal or mineral products in commercially marketable quantities has been disclosed including, but not limited to, the clearing of forestation, the building of roads, removal of overburden, or the sinking of shafts.~~

(d) ~~"Research" means activities designed and engaged in to create new or improved methods of mining, producing, processing, beneficiating, smelting, or refining metal or mineral products.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 9. Minnesota Statutes 2010, section 298.225, subdivision 1, is amended to read:

Subdivision 1. **Guaranteed distribution.** (a) The distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), and 7, ~~and 8~~, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

EFFECTIVE DATE. This section is effective for distributions in 2012 and thereafter.

Sec. 10. Minnesota Statutes 2010, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002, and 2003~~ 2011 and 2012, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, and upon other iron-bearing material, a tax of ~~\$2.103~~ \$2.380 per gross ton of merchantable iron ore concentrate produced therefrom. ~~For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates produced in 2004. For concentrates produced in 2009 and subsequent years, the tax is also imposed upon other iron-bearing material.~~

(b) For concentrates produced in ~~2006~~ 2013 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of ~~\$2.103~~ \$2.380 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets"

are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

EFFECTIVE DATE. This section is effective for production in 2011 and thereafter.

Sec. 11. Minnesota Statutes 2010, section 298.28, subdivision 3, is amended to read:

Subd. 3. **Cities; towns.** (a) ~~12.5~~ 12.2 cents per taxable ton, less any amount distributed under ~~subdivision 8, and~~ paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this

limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution in 2010 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph will be distributed to eligible towns on a per capita basis, provided that no town may receive more than \$50,000 in any year under this paragraph. Any amount of the distribution that exceeds the \$50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed \$50,000.

Sec. 12. **REPEALER.**

(a) Minnesota Statutes 2010, section 298.28, subdivisions 8 and 9c, are repealed.

(b) Minnesota Statutes 2010, section 298.285, is repealed.

(c) Minnesota Statutes 2010, section 298.017, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective for distributions in 2012 and thereafter of taxes on production in 2011 and thereafter. Paragraph (b) is effective June 30, 2011. Paragraph (c) is effective for taxable years beginning after December 31, 2010.

ARTICLE 9
MISCELLANEOUS

Section 1. Minnesota Statutes 2010, section 270C.13, subdivision 1, is amended to read:

Subdivision 1. **Biennial report.** The commissioner shall report to the legislature by March 1 of each odd-numbered year on the overall incidence of the income tax, sales and excise taxes, and property tax. The report shall present information on the distribution of the tax burden as follows: (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; (2) by income classes, including at a minimum deciles of the income distribution; and (3) by other appropriate taxpayer characteristics. The report must also include information on the distribution of the burden of federal taxes borne by Minnesota residents.

EFFECTIVE DATE. This section is effective beginning with the report due in March 2013.

Sec. 2. **BUDGET RESERVE REDUCTION.**

On July 1, 2011, the commissioner of management and budget shall cancel \$8,665,000 of the balance in the budget reserve account in Minnesota Statutes, section 16A.152, to the general fund.

Sec. 3. **CASH FLOW ACCOUNT REDUCTION.**

On July 1, 2011, the commissioner of management and budget shall cancel \$166,000,000 of the balance in the cash flow account in Minnesota Statutes, section 16A.152, to the general fund.

Sec. 4. TRANSFER

Prior to June 30, 2012, the commissioner of iron range resources shall transfer \$60,000,000 from the Douglas J. Johnson economic protection trust fund to the general fund. This is a onetime transfer."

Delete the title and insert:

"A bill for an act relating to the financing of state and local government; making changes to individual income, corporate franchise, estate, property, aids, credits, payments, refunds, sales and use, tax increment financing, minerals, local, and other taxes and tax-related provisions; authorizing border city development zone powers and local taxes; extending levy limits; repealing sustainable forest resource management incentive; authorizing grants to local governments for cooperation and consolidation; providing a science and technology program; conforming to changes made to the Internal Revenue Code; permitting certain appeals; modifying provision allowing for a reciprocity agreement with state of Wisconsin; setting the levels of the cash flow account and the budget reserve account; suspending certain maintenance of effort requirements; requiring studies; requiring reports; appropriating money; amending Minnesota Statutes 2010, sections 88.49, subdivisions 5, 9a; 97A.061, subdivisions 1, 3; 126C.01, subdivision 3; 270A.03, subdivision 7; 270B.12, by adding a subdivision; 270C.13, subdivision 1; 272.02, subdivision 39, by adding a subdivision; 273.111, by adding a subdivision; 273.114, subdivision 2, as amended; 273.121, subdivision 1; 273.13, subdivisions 23, 25, 34, by adding a subdivision; 273.1384, subdivisions 3, 4; 273.1393; 273.1398, subdivision 3; 274.01, subdivision 1; 275.025, subdivisions 1, 3, 4; 275.70, subdivision 5; 275.71, subdivisions 2, 4, 5; 276.04, subdivision 2; 289A.02, subdivision 7, as amended; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 19, as amended, 19a, as amended, 19b, 19c, as amended, 31, as amended; 290.05, subdivision 1; 290.06, subdivision 2c; 290.0674, subdivision 1; 290.068, subdivision 1; 290.081; 290.091, subdivision 2; 290.191, subdivisions 2, 3; 290A.03, subdivisions 11, 13, 15, as amended; 290A.04, subdivisions 2, 2a, 4, by adding a subdivision; 291.005, subdivision 1; 291.03, subdivision 1, by adding subdivisions; 297A.61, subdivision 3; 297A.62, by adding a subdivision; 297A.63, by adding a subdivision; 297A.668, subdivision 7, by adding a subdivision; 297A.68, by adding a subdivision; 297A.70, subdivisions 1, 2, 3, 8; 297A.75, subdivisions 1, 2, 3; 297A.82, subdivision 4; 297A.99, subdivisions 1, 3; 298.001, by adding a subdivision; 298.01, subdivisions 3, 3a; 298.015, subdivisions 1, 2; 298.016, subdivision 4; 298.225, subdivision 1; 298.24, subdivision 1; 298.28, subdivision 3; 469.176, subdivisions 4c, 4m; 469.1763, subdivision 2; 473.757, subdivision 11; 477A.011, subdivision 20, by adding a subdivision; 477A.0124, by adding a subdivision; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; 477A.11, subdivision 1; 477A.12, subdivision 1; 477A.14, subdivision 1; 477A.17; Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 8, section 43, subdivisions 3, as amended, 4, as amended, 5, as amended; Laws 2008, chapter 366, article 7, section 19, subdivision 3; Laws 2010, chapter 389, article 5, section 6, subdivision 1; article 7, section 22; proposing coding for new law in Minnesota Statutes, chapters 116W; 275; 373; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivisions 2, 2b; 273.1384, subdivisions 1, 6; 275.025; 275.295; 289A.60, subdivision 31; 290.06, subdivision 23; 290C.01; 290C.02; 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12; 290C.13; 298.017; 298.28, subdivisions 8, 9c; 298.285; 477A.145."

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

House Conferees: GREG DAVIDS, SARAH ANDERSON, JENIFER LOON and LINDA RUNBECK.

Senate Conferees: JULIANNE E. ORTMAN, DAVID H. SENJEM, WARREN LIMMER, ROGER C. CHAMBERLAIN and JULIE A. ROSEN.

Davids moved that the report of the Conference Committee on H. F. No. 42 be adopted and that the bill be repassed as amended by the Conference Committee.

The Speaker called Lanning to the Chair.

Clark was excused between the hours of 8:05 p.m. and 8:30 p.m.

Hosch moved that the House refuse to adopt the report of the Conference Committee on H. F. No. 42 and that the bill be returned to the Conference Committee.

A roll call was requested and properly seconded.

CALL OF THE HOUSE

On the motion of Hosch and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Abeler	Dean	Hansen	Laine	Morrow	Scott
Anderson, B.	Dettmer	Hausman	Lanning	Mullery	Shimanski
Anderson, D.	Dill	Hayden	Leidiger	Murdock	Simon
Anderson, P.	Dittrich	Hilstrom	LeMieur	Murphy, E.	Slawik
Anderson, S.	Doepke	Hilty	Lenczewski	Murphy, M.	Slocum
Anzelc	Downey	Holberg	Lesch	Myhra	Smith
Atkins	Drazkowski	Hoppe	Liebling	Nelson	Stensrud
Banaian	Eken	Hornstein	Lillie	Nornes	Swedzinski
Barrett	Erickson	Hortman	Loeffler	Norton	Thissen
Beard	Fabian	Hosch	Lohmer	O'Driscoll	Tillberry
Benson, J.	Falk	Howes	Loon	Paymar	Torkelson
Benson, M.	Franson	Huntley	Mack	Pelowski	Urdahl
Bills	Fritz	Johnson	Mahoney	Peppin	Vogel
Brynaert	Gauthier	Kahn	Mariani	Persell	Wagenius
Buesgens	Gottwalt	Kath	Marquart	Petersen, B.	Ward
Carlson	Greene	Kelly	Mazorol	Peterson, S.	Wardlow
Champion	Greiling	Kieffer	McDonald	Poppe	Westrom
Cornish	Gruenhagen	Kiel	McElpatrick	Quam	Winkler
Crawford	Gunther	Kiffmeyer	McFarlane	Runbeck	Woodard
Daudt	Hackbarth	Knuth	McNamara	Sanders	Spk. Zellers
Davids	Hamilton	Koenen	Melin	Scalze	
Davnie	Hancock	Kriesel	Moran	Schomacker	

Dean moved that further proceedings of the roll call be suspended and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

Lesch was excused for the remainder of today's session.

The question recurred on the Hosch motion that the House refuse to adopt the Conference Committee report on H. F. No. 42 and that the bill be returned to the Conference Committee and the roll was called. There were 61 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Anzelc	Fritz	Hosch	Loeffler	Nelson	Slocum
Atkins	Gauthier	Huntley	Mahoney	Norton	Thissen
Benson, J.	Greene	Johnson	Mariani	Paymar	Tillberry
Brynaert	Greiling	Kahn	Marquart	Pelowski	Wagenius
Carlson	Hansen	Kath	McElfrick	Persell	Ward
Champion	Hausman	Knuth	Melin	Peterson, S.	Winkler
Clark	Hayden	Koenen	Moran	Poppe	
Davnie	Hilstrom	Laine	Morrow	Rukavina	
Dittrich	Hilty	Lenczewski	Mullery	Scalze	
Eken	Hornstein	Liebling	Murphy, E.	Simon	
Falk	Hortman	Lillie	Murphy, M.	Slawik	

Those who voted in the negative were:

Abeler	Crawford	Garofalo	Kiel	McNamara	Scott
Anderson, B.	Daudt	Gottwalt	Kiffmeyer	Murdock	Shimanski
Anderson, D.	Davids	Gruenhagen	Kriesel	Murray	Smith
Anderson, P.	Dean	Gunther	Lanning	Myhra	Stensrud
Anderson, S.	Dettmer	Hackbarth	Leidiger	Nornes	Swedzinski
Banaian	Dill	Hamilton	LeMieur	O'Driscoll	Torkelson
Barrett	Doepke	Hancock	Lohmer	Peppin	Urdahl
Beard	Downey	Holberg	Loon	Petersen, B.	Vogel
Benson, M.	Drazkowski	Hoppe	Mack	Quam	Wardlow
Bills	Erickson	Howes	Mazorol	Runbeck	Westrom
Buesgens	Fabian	Kelly	McDonald	Sanders	Woodard
Cornish	Franson	Kieffer	McFarlane	Schomacker	Spk. Zellers

The motion did not prevail.

CALL OF THE HOUSE LIFTED

Dean moved that the call of the House be lifted. The motion prevailed and it was so ordered.

Speaker pro tempore Lanning called Westrom to the Chair.

Pursuant to rule 1.50, Dean moved that the House be allowed to continue in session after 12:00 midnight.

CALL OF THE HOUSE

On the motion of Thissen and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Abeler	Anderson, P.	Atkins	Beard	Bills	Carlson
Anderson, B.	Anderson, S.	Banaian	Benson, J.	Brynaert	Champion
Anderson, D.	Anzelc	Barrett	Benson, M.	Buesgens	Clark

Cornish	Gauthier	Howes	Lohmer	Myhra	Shimanski
Crawford	Gottwalt	Johnson	Loon	Nelson	Simon
Daudt	Greene	Kahn	Mack	Nornes	Slawik
Davids	Greiling	Kath	Mahoney	Norton	Slocum
Davnie	Gruenhagen	Kelly	Mariani	O'Driscoll	Smith
Dean	Gunther	Kieffer	Marquart	Paymar	Stensrud
Dettmer	Hackbarth	Kiel	Mazorol	Pelowski	Swedzinski
Dill	Hamilton	Kiffmeyer	McDonald	Peppin	Thissen
Dittrich	Hancock	Knuth	McElfatrick	Persell	Tillberry
Doepke	Hansen	Koenen	McFarlane	Petersen, B.	Torkelson
Downey	Hausman	Kriesel	McNamara	Peterson, S.	Urdahl
Drazkowski	Hayden	Laine	Melin	Poppe	Vogel
Eken	Hilstrom	Lanning	Moran	Quam	Wagenius
Erickson	Hilty	Leidiger	Morrow	Rukavina	Ward
Fabian	Holberg	LeMieur	Mullery	Runbeck	Wardlow
Falk	Hoppe	Lenczewski	Murdock	Sanders	Westrom
Franson	Hornstein	Liebling	Murphy, E.	Scalze	Winkler
Fritz	Hortman	Lillie	Murphy, M.	Schomacker	Woodard
Garfalo	Hosch	Loeffler	Murray	Scott	Spk. Zellers

Dean moved that further proceedings of the roll call be suspended and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

Huntley and Slawik were excused for the remainder of today's session.

Gunther was excused between the hours of 10:35 p.m. and 11:20 p.m.

POINT OF ORDER

Buesgens raised a point of order pursuant to section 114, paragraph 4, of "Mason's Manual of Legislative Procedure," relating to Asking Questions of Members. Speaker pro tempore Westrom ruled the point of order well taken.

Winkler appealed the decision of Speaker pro tempore Westrom.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of Speaker pro tempore Westrom stand as the judgment of the House?" and the roll was called.

Dean moved that those not voting be excused from voting. The motion prevailed.

There were 67 yeas and 5 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Anderson, S.	Beard	Buesgens	Daudt	Dettmer
Anderson, D.	Banaian	Benson, M.	Cornish	Davids	Doepke
Anderson, P.	Barrett	Bills	Crawford	Dean	Downey

Drazkowski	Hancock	LeMieur	Murdock	Sanders	Vogel
Erickson	Holberg	Lohmer	Murray	Schomacker	Wardlow
Fabian	Hoppe	Loon	Myhra	Scott	Westrom
Franson	Howes	Mack	Nornes	Shimanski	Woodard
Garofalo	Kelly	Mazorol	O'Driscoll	Smith	
Gottwalt	Kiel	McDonald	Peppin	Stensrud	
Gruenhagen	Kriesel	McElfratrick	Petersen, B.	Swedzinski	
Hackbarth	Lanning	McFarlane	Quam	Torkelson	
Hamilton	Leidiger	McNamara	Runbeck	Urdahl	

Those who voted in the negative were:

Brynaert	Hortman	Winkler
Carlson	Nelson	

So it was the judgment of the House that the decision of Speaker pro tempore Westrom should stand.

CALL OF THE HOUSE LIFTED

Dean moved that the call of the House be lifted. The motion prevailed and it was so ordered.

The Speaker resumed the Chair.

POINT OF ORDER

Thissen raised a point of order pursuant to rule 1.50 relating to Adjourning of the House. The Speaker ruled the point of order not well taken.

The question recurred on the Dean motion that the House be allowed to continue in session after 12:00 midnight. The motion prevailed.

The question recurred on the Davids motion that the report of the Conference Committee on H. F. No. 42 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

Benson, J., and Laine were excused for the remainder of today's session.

H. F. No. 42, A bill for an act relating to the financing and operation of state and local government; making changes to individual income, corporate franchise, property, aids, credits, payments, refunds, sales and use, tax increment financing, aggregate material, minerals, local, and other taxes and tax-related provisions; making changes to the green acres and rural preserve programs; authorizing border city development zone powers and local taxes; extending levy limits; modifying regional railroad authority provisions; repealing sustainable forest resource management incentive; authorizing grants to local governments for cooperation, consolidation, and service innovation; providing a science and technology program; reducing certain income rates; allowing capital equipment exemption at time of purchase; directing commissioner of revenue to negotiate a reciprocity agreement with state of

Wisconsin and permitting its termination only by law; requiring studies; requiring reports; canceling amounts in the cash flow account; appropriating money; amending Minnesota Statutes 2010, sections 97A.061, subdivisions 1, 3; 126C.01, subdivision 3; 270A.03, subdivision 7; 270B.12, by adding a subdivision; 270C.13, subdivision 1; 272.02, by adding a subdivision; 273.111, subdivision 9, by adding a subdivision; 273.114, subdivisions 2, 5, 6; 273.121, subdivision 1; 273.13, subdivisions 21b, 25, 34; 273.1384, subdivisions 1, 3, 4; 273.1393; 273.1398, subdivision 3; 275.025, subdivisions 1, 3, 4; 275.066; 275.08, subdivisions 1a, 1d; 275.70, subdivision 5; 275.71, subdivisions 2, 4, 5; 276.04, subdivision 2; 279.01, subdivision 1; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 19b; 290.06, subdivision 2c; 290.068, subdivision 1; 290.081; 290.091, subdivision 2; 290A.03, subdivisions 11, 13; 297A.61, subdivision 3; 297A.62, by adding a subdivision; 297A.63, by adding a subdivision; 297A.668, subdivision 7, by adding a subdivision; 297A.68, subdivision 5; 297A.70, subdivision 3; 297A.75; 297A.99, subdivision 1; 298.01, subdivision 3; 298.015, subdivision 1; 298.018, subdivision 1; 298.28, subdivision 3; 298.75, by adding a subdivision; 398A.04, subdivision 8; 398A.07, subdivision 2; 469.1763, subdivision 2; 473.757, subdivisions 2, 11; 477A.011, by adding a subdivision; 477A.0124, by adding a subdivision; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; 477A.11, subdivision 1; 477A.12, subdivision 1; 477A.14, subdivision 1; 477A.17; Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 8, section 43, subdivisions 3, as amended, 4, as amended, 5, as amended; Laws 2008, chapter 366, article 7, section 19, subdivision 3; Laws 2010, chapter 389, article 7, section 22; proposing coding for new law in Minnesota Statutes, chapters 116W; 275; 373; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 273.114, subdivision 1; 273.1384, subdivision 6; 279.01, subdivision 4; 289A.60, subdivision 31; 290.06, subdivision 23; 290C.01; 290C.02; 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12; 290C.13; 477A.145.

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 71 yeas and 58 nays as follows:

Those who voted in the affirmative were:

Abeler	Crawford	Gottwalt	Kiffmeyer	Murdock	Shimanski
Anderson, B.	Daudt	Gruenhagen	Kriesel	Murray	Smith
Anderson, D.	Dauids	Gunther	Lanning	Myhra	Stensrud
Anderson, P.	Dean	Hackbarth	Leidiger	Nornes	Swedzinski
Anderson, S.	Dettmer	Hamilton	LeMieur	O'Driscoll	Torkelson
Banaian	Doepke	Hancock	Lohmer	Peppin	Urdahl
Barrett	Downey	Holberg	Loon	Petersen, B.	Vogel
Beard	Drazkowski	Hoppe	Mack	Quam	Wardlow
Benson, M.	Erickson	Howes	Mazorol	Runbeck	Westrom
Bills	Fabian	Kelly	McDonald	Sanders	Woodard
Buesgens	Franson	Kieffer	McFarlane	Schomacker	Spk. Zellers
Cornish	Garofalo	Kiel	McNamara	Scott	

Those who voted in the negative were:

Anzelc	Falk	Hornstein	Lillie	Murphy, E.	Scalze
Atkins	Fritz	Hortman	Loeffler	Murphy, M.	Simon
Brynaert	Gauthier	Hosch	Mahoney	Nelson	Slocum
Carlson	Greene	Johnson	Mariani	Norton	Thissen
Champion	Greiling	Kahn	Marquart	Paymar	Tillberry
Clark	Hansen	Kath	McElfratrick	Pelowski	Wagenius
Davnie	Hausman	Knuth	Melin	Persell	Ward
Dill	Hayden	Koenen	Moran	Peterson, S.	Winkler
Dittrich	Hilstrom	Lenczewski	Morrow	Poppe	
Eken	Hilty	Liebling	Mullery	Rukavina	

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

Atkins was excused for the remainder of today's session.

Kriesel was excused between the hours of 12:45 a.m. and 2:05 a.m.

CONFERENCE COMMITTEE REPORT ON H. F. No. 1101

A bill for an act relating to higher education; amending postsecondary education provisions; requiring reports; changing Minnesota college savings plan matching grants; making technical changes; modifying definitions; setting requirements for credit transfer; providing stable undergraduate tuition rates; modifying achieve scholarship program; modifying contract and salary provisions; prohibiting use of certain public funds to support human cloning; requiring a study of graduate education in for-profit sector; repealing certain provisions related to equipment and apparel; appropriating money; amending Minnesota Statutes 2010, sections 15A.081, subdivision 7c; 135A.51, subdivision 2; 136A.121, subdivision 6; 136F.40, subdivision 2; 136G.01; 136G.03, subdivisions 1, 18, 27; 136G.05, subdivisions 1, 6, 8; proposing coding for new law in Minnesota Statutes, chapters 136F; 137; 145; repealing Minnesota Statutes 2010, sections 135A.26; 136G.11, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10; 181.986; Laws 2009, chapter 95, article 2, section 39.

May 16, 2011

The Honorable Kurt Zellers
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 1101 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 1101 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1 HIGHER EDUCATION APPROPRIATIONS

Section 1. **SUMMARY OF APPROPRIATIONS.**

Subdivision 1. **Summary By Fund.** The amounts shown in this subdivision summarize direct appropriations, by fund, made in this article.

SUMMARY BY FUND

	<u>2012</u>	<u>2013</u>	<u>Total</u>
<u>General</u>	<u>\$1,252,883,000</u>	<u>\$1,252,634,000</u>	<u>\$2,505,517,000</u>
<u>Health Care Access</u>	<u>2,157,000</u>	<u>2,157,000</u>	<u>4,314,000</u>
<u>Total</u>	<u>\$1,255,040,000</u>	<u>\$1,254,791,000</u>	<u>\$2,509,831,000</u>

Subd. 2. **Summary By Agency - All Funds.** The amounts shown in this subdivision summarize direct appropriations, by agency, made in this article.

SUMMARY BY AGENCY - ALL FUNDS

	<u>2012</u>	<u>2013</u>	<u>Total</u>
<u>Minnesota Office of Higher Education</u>	<u>\$190,694,000</u>	<u>\$190,445,000</u>	<u>\$381,139,000</u>
<u>Mayo Medical Foundation</u>	<u>1,351,000</u>	<u>1,351,000</u>	<u>2,702,000</u>
<u>Board of Trustees of the Minnesota State Colleges and Universities</u>	<u>540,494,000</u>	<u>540,494,000</u>	<u>1,080,988,000</u>
<u>Board of Regents of the University of Minnesota</u>	<u>522,501,000</u>	<u>522,501,000</u>	<u>1,045,002,000</u>
<u>Total</u>	<u>\$1,255,040,000</u>	<u>\$1,254,791,000</u>	<u>\$2,509,831,000</u>

Sec. 2. **HIGHER EDUCATION APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2012" and "2013" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2012, or June 30, 2013, respectively. "The first year" is fiscal year 2012. "The second year" is fiscal year 2013. "The biennium" is fiscal years 2012 and 2013.

APPROPRIATIONS
Available for the Year
Ending June 30

2012 **2013**

Sec. 3. **MINNESOTA OFFICE OF HIGHER EDUCATION**Subdivision 1. **Total Appropriation**

\$190,694,000 **\$190,445,000**

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **State Grants**

154,624,000 **154,625,000**

(a) If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available for it.

(b) For the biennium, the tuition maximum is \$10,488 in each year for students in four-year programs, and \$5,808 for students in two-year programs.

(c) This appropriation sets the living and miscellaneous expense allowance at \$7,000 each year.

Subd. 3. **Safety Officers' Survivors**

100,000 **100,000**

This appropriation is to provide educational benefits under Minnesota Statutes, section 299A.45, to eligible dependent children and to the spouses of public safety officers killed in the line of duty.

If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available for it.

Subd. 4. <u>Child Care Grants</u>	<u>6,684,000</u>	<u>6,684,000</u>
Subd. 5. <u>State Work-Study</u>	<u>14,502,000</u>	<u>14,502,000</u>
Subd. 6. <u>Indian Scholarships</u>	<u>1,850,000</u>	<u>1,850,000</u>

This appropriation includes funding each year to administer the Indian scholarship program.

Subd. 7. <u>Intervention for College Attendance Program Grants</u>	<u>671,000</u>	<u>671,000</u>
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For grants under Minnesota Statutes, section 136A.861. Up to \$50,000 of this appropriation each year may be used for administrative expenses.

Subd. 8. <u>Midwest Higher Education Compact</u>	<u>95,000</u>	<u>95,000</u>
Subd. 9. <u>United Family Medicine Residency Program</u>	<u>351,000</u>	<u>351,000</u>

For a grant to the United Family Medicine residency program. This appropriation shall be used to support up to 18 resident physicians each year in family practice at United Family Medicine residency programs and shall prepare doctors to practice family care medicine in underserved rural and urban areas of the state. It is intended that this program will improve health care in underserved communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a cost-effective manner.

Subd. 10. <u>Interstate Tuition Reciprocity</u>	<u>3,150,000</u>	<u>3,250,000</u>
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If the appropriation in this subdivision for either year is insufficient, the appropriation for the other year is available to meet reciprocity contract obligations.

Subd. 11. <u>Minnesota College Savings Plan</u>	<u>350,000</u>	<u>-0-</u>
Subd. 12. <u>MnLINK Gateway and Minitex</u>	<u>5,605,000</u>	<u>5,605,000</u>
Subd. 13. <u>Student and Parent Information</u>	<u>122,000</u>	<u>122,000</u>
Subd. 14. <u>Get Ready</u>	<u>180,000</u>	<u>180,000</u>
Subd. 15. <u>Minnesota Minority Partnership</u>	<u>45,000</u>	<u>45,000</u>
Subd. 16. <u>Agency Administration</u>	<u>2,365,000</u>	<u>2,365,000</u>

Subd. 17. Balances Forward

A balance in the first year under this section does not cancel, but is available for the second year.

Subd. 18. Transfers

The Minnesota Office of Higher Education may transfer unencumbered balances from the appropriations in this section to the state grant appropriation, the interstate tuition reciprocity appropriation, the child care grant appropriation, the Indian scholarship appropriation, the state work-study appropriation, the achieve scholarship appropriation, the public safety officers' survivors appropriation, and the Minnesota college savings plan appropriation. Transfers from the child care or state work-study appropriations may only be made to the extent there is a projected surplus in the appropriation. A transfer may be made only with prior written notice to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over higher education finance.

Sec. 4. BOARD OF TRUSTEES OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES**Subdivision 1. Total Appropriation****\$540,494,000****\$540,494,000**Appropriations by Fund20122013General540,494,000540,494,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. Central Office and Shared Services Unit33,074,00033,074,000

For the Office of the Chancellor and the Shared Services Division. The reduction in the appropriation made by this subdivision from the net appropriation made for the central office and shared services unit in the biennium ending June 30, 2011, must not be allocated to any institution nor charged back to any campus or institution.

Subd. 3. Operations and Maintenance503,305,000503,305,000

\$102,000 each year is for the Cook County Higher Education Board to provide educational programs and academic support services. The base appropriation under this paragraph is \$102,000.

One percent of the fiscal year 2013 appropriation in this subdivision is available in fiscal year 2013 after the Board of Trustees of the Minnesota State Colleges and Universities demonstrates to the commissioner of management and budget that the board has achieved at least three of the following five performance goals:

(1) increase by at least seven percent, compared to fiscal year 2009, graduates or degrees, diplomas and certificates conferred;

(2) increase by at least ten percent, compared to fiscal year 2010, the number of students of color;

(3) increase by at least fifteen percent, compared to fiscal year 2010, the full year equivalent enrollment of students taking online or blended courses or the number of online and blended sections;

(4) increase by at least one percent the fall 2011 persistence and completion rate for fall 2010 entering students compared to the fall 2010 rate for fall 2009 entering students; and

(5) decrease by at least two percent, compared to calendar year 2009, total energy consumption per square foot.

By October 1, 2011, the Board of Trustees and the Minnesota Office of Higher Education must agree on specific numerical indicators and definitions for each of the five goals that will be used to demonstrate the Minnesota State Colleges and Universities' attainment of each goal.

On or before April 1, 2012, the Board of Trustees must report to the legislative committees with primary jurisdiction over higher education finance and policy the progress of the Minnesota State Colleges and Universities toward attaining the goals.

Subd. 4. Learning Network of Minnesota

4,115,000

4,115,000

Subd. 5. Education Priorities

The Board of Trustees, in fulfilling the requirements of Minnesota Statutes, section 136F.06, by making reductions, approving programs of study, establishing requirements for completion of programs, and approving course offerings and requirements for credentials, must place the highest priority on meeting the needs of Minnesota employers for a skilled workforce. The board must focus on the efficient delivery of higher education, eliminate duplication throughout the system, and streamline the operation of the system to provide an education that prepares students for the workforce needs of Minnesota.

Sec. 5. **BOARD OF REGENTS OF THE UNIVERSITY OF MINNESOTA**

Subdivision 1. Total Appropriation

\$522,501,000

\$522,501,000

Appropriations by Fund

	<u>2012</u>	<u>2013</u>
General	520,344,000	520,344,000
Health Care Access	2,157,000	2,157,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. Operations and Maintenance

458,881,000

458,881,000

(a) This appropriation includes funding for operation and maintenance of the system.

(b) This appropriation includes money for the Veterinary Diagnostic Laboratory to preserve accreditation.

(c) During the biennium, the Board of Regents is encouraged to at least proportionally reduce spending for administration relative to spending reductions in other budget areas.

(d) One percent of the fiscal year 2013 appropriation in this subdivision is available in fiscal year 2013 when the Board of Regents of the University of Minnesota demonstrates to the commissioner of management and budget that the board has met at least three of the following five performance goals:

(1) increase the amount of institutional financial aid so that it is greater in fiscal year 2012 than in fiscal year 2010, excluding federal stimulus funding. Institutional financial aid includes funds from the University of Minnesota Foundation and the Minnesota Medical Foundation;

(2) produce at least 13,500 total degrees on all campuses in fiscal year 2012;

(3) increase the undergraduate four- and six-year graduation rates on the Twin Cities campus for 2011-2012, as reported in the federal completions survey, over the numbers for 2009-2010, as reported in the federal completion survey;

(4) produce total research and development expenditures, as reported to the National Science Foundation (NSF) for the University of Minnesota system so that the amount in the 2012 NSF report is not less than the amount in the 2010 NSF report; and

(5) produce sponsored funding from business and industry so that funding in fiscal year 2012, as reported to the Board of Regents in December of that year, is not less than funding in fiscal year 2010.

By October 1, 2011, the Board of Regents and the Minnesota Office of Higher Education must agree on specific numerical indicators and definitions for each of the five goals that will be used to demonstrate the University of Minnesota's attainment of each goal.

On or before April 1, 2012, the Board of Regents must report to the legislative committees with primary jurisdiction over higher education finance and policy the progress of the University of Minnesota toward attaining the goals.

Subd. 3. Education Priorities

The Board of Regents, in fulfilling their governance responsibilities for the University of Minnesota by making reductions, approving programs of study, establishing requirements for completion of programs, approving course offerings and requirements for credentials, and authorizing and funding research are encouraged to place the highest priority on meeting the needs of Minnesota employers for a skilled workforce. The board must focus on the efficient delivery of higher education, eliminate duplication and redundancy, streamline administration, and focus on providing an education that prepares students for the workforce needs of Minnesota.

Subd. 4. Primary Care Education Initiatives

2,157,000

2,157,000

This appropriation is from the health care access fund.

Subd. 5. Special Appropriations

(a) Agriculture and Extension Service

42,922,000

42,922,000

For the Agricultural Experiment Station and the Minnesota Extension Service:

(1) the agricultural experiment stations and Minnesota Extension Service must convene agricultural advisory groups to focus research, education, and extension activities on producer needs and implement an outreach strategy that more effectively and rapidly transfers research results and best practices to producers throughout the state;

(2) this appropriation includes funding for research and outreach on the production of renewable energy from Minnesota biomass resources, including agronomic crops, plant and animal wastes, and native plants or trees. The following areas should be prioritized and carried out in consultation with Minnesota producers, renewable energy, and bioenergy organizations:

(i) biofuel and other energy production from perennial crops, small grains, row crops, and forestry products in conjunction with the Natural Resources Research Institute (NRRI);

(ii) alternative bioenergy crops and cropping systems; and

(iii) biofuel coproducts used for livestock feed;

(3) this appropriation includes funding for the College of Food, Agricultural, and Natural Resources Sciences to establish and provide leadership for organic agronomic, horticultural, livestock, and food systems research, education, and outreach and for the purchase of state-of-the-art laboratory, planting, tilling, harvesting, and processing equipment necessary for this project;

(4) this appropriation includes funding for research efforts that demonstrate a renewed emphasis on the needs of the state's agriculture community. The following areas should be prioritized and carried out in consultation with Minnesota farm organizations:

(i) vegetable crop research with priority for extending the Minnesota vegetable growing season;

(ii) fertilizer and soil fertility research and development;

(iii) soil, groundwater, and surface water conservation practices and contaminant reduction research;

(iv) discovering and developing plant varieties that use nutrients more efficiently;

(v) breeding and development of turf seed and other biomass resources in all three Minnesota biomes;

(vi) development of new disease-resistant and pest-resistant varieties of turf and agronomic crops;

(vii) utilizing plant and livestock cells to treat and cure human diseases;

(viii) the development of dairy coproducts;

(ix) a rapid agricultural response fund for current or emerging animal, plant, and insect problems affecting production or food safety;

(x) crop pest and animal disease research;

(xi) developing animal agriculture that is capable of sustainably feeding the world;

(xii) consumer food safety education and outreach;

(xiii) programs to meet the research and outreach needs of organic livestock and crop farmers; and

(xiv) alternative bioenergy crops and cropping systems; and growing, harvesting, and transporting biomass plant material; and

(5) by February 1, 2013, the Board of Regents must submit a report to the legislative committees with responsibility for agriculture and higher education finance on the status and outcomes of research and initiatives funded in this section.

(b) Health Sciences

4,854,000

4,854,000

\$346,000 each year is to support up to 12 resident physicians in the St. Cloud Hospital family practice residency program. The program must prepare doctors to practice primary care medicine in the rural areas of the state. The legislature intends this program to improve health care in rural communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a more cost-effective manner.

The remainder of this appropriation is for the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center.

(c) Institute of Technology

1,140,000

1,140,000

For the Geological Survey and the talented youth mathematics program.

(d) System Special

5,056,000

5,056,000

For general research, industrial relations education, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.

(e) University of Minnesota and Mayo Foundation Partnership

7,491,000

7,491,000

For the direct and indirect expenses of the collaborative research partnership between the University of Minnesota and the Mayo Foundation for research in biotechnology and medical genomics. This appropriation is available until expended. An annual report on the expenditure of these funds must be submitted to the governor and the chairs of the senate and house of representatives committees responsible for higher education and economic development by June 30 of each fiscal year.

Subd. 6. Academic Health Center

The appropriation for Academic Health Center funding under Minnesota Statutes, section 297F.10, is estimated to be \$22,250,000 each year.

Sec. 6. MAYO MEDICAL FOUNDATION**Subdivision 1. Total Appropriation****\$1,351,000****\$1,351,000**

The amounts that may be spent for the purposes are specified in the following subdivisions.

Subd. 2. Medical School665,000665,000

The state of Minnesota must pay a capitation each year for each student who is a resident of Minnesota. The appropriation may be transferred between years of the biennium to accommodate enrollment fluctuations.

It is intended that during the biennium the Mayo Clinic use the capitation money to increase the number of doctors practicing in rural areas in need of doctors.

Subd. 3. Family Practice and Graduate Residency Program686,000686,000

The state of Minnesota must pay stipend support for up to 27 residents each year.

Sec. 7. TUITION LIMITATION AT MINNESOTA STATE COLLEGES AND UNIVERSITIES.

During the biennium ending June 30, 2013, the maximum tuition rate increase for all tuition rates at a Minnesota State Colleges and Universities institution or campus to a Minnesota resident undergraduate student may not exceed:

(1) three percent per academic year at a state college; and

(2) five percent in the first academic year and four percent in the second academic year at a state university.

The Board of Trustees of the Minnesota State Colleges and Universities must limit the rate of increase for any mandatory fee charged to a student at a university or college to four percent per year in the biennium ending June 30, 2013, unless a higher increase is approved by a public majority vote by the recognized campus student association.

Sec. 8. TUITION LIMITATION; UNIVERSITY OF MINNESOTA.

The legislature expects that during the biennium ending June 30, 2013, the maximum tuition rate increase to a Minnesota resident undergraduate student enrolled at the University of Minnesota shall not exceed five percent the first academic year and four percent the second academic year.

The legislature expects that the rate of increase for any mandatory fee charged to a student at the University of Minnesota will be limited to a maximum of four percent per year in the biennium ending June 30, 2013, unless a higher increase is approved by a majority vote of the campus student association.

ARTICLE 2
RELATED HIGHER EDUCATION PROVISIONS

Section 1. **[136A.051] STUDENT RECORDS AND DATA.**

When a nonpublic institution of higher education provides the Office of Higher Education student data or records pursuant to section 136A.05, subdivision 1; 136A.121, subdivision 18; or 136A.1701, subdivision 11, the institution of higher education is not liable for a breach of confidentiality, disclosure, use, retention, or destruction of the student data or records, if the breach, disclosure, use, retention, or destruction results from actions or omissions of:

(1) the Office of Higher Education; or

(2) persons provided access to the data or records by the Office of Higher Education.

Sec. 2. Minnesota Statutes 2010, section 135A.51, subdivision 2, is amended to read:

Subd. 2. **Senior citizen.** "Senior citizen" means a person who has reached ~~66~~ 62 years of age before the beginning of any term, semester or quarter, in which a course of study is pursued, or a person receiving a railroad retirement annuity who has reached 60 years of age before the beginning of the term.

EFFECTIVE DATE. This section is effective the day after final enactment for terms beginning after July 1, 2011.

Sec. 3. Minnesota Statutes 2010, section 136A.121, subdivision 6, is amended to read:

Subd. 6. **Cost of attendance.** (a) The recognized cost of attendance consists of ~~allowances:~~ (1) an allowance specified in law for living and miscellaneous expenses, and (2) an allowance for tuition and fees equal to the lesser of the average tuition and fees charged by the institution, or the a tuition and fee maximums maximum if one is established in law. If no tuition and fee maximum is established in law, the allowance for tuition and fees is equal to the lesser of: (1) the average tuition and fees charged by the institution, and (2) for two-year programs, an amount equal to the highest tuition and fees charged at a public two-year institution, or for four-year programs, an amount equal to the highest tuition and fees charged at a public university.

(b) For a student registering for less than full time, the office shall prorate the cost of attendance to the actual number of credits for which the student is enrolled.

(c) The recognized cost of attendance for a student who is confined to a Minnesota correctional institution shall consist of the tuition and fee component in paragraph (a), with no allowance for living and miscellaneous expenses.

(d) For the purpose of this subdivision, "fees" include only those fees that are mandatory and charged to full-time resident students attending the institution. Fees do not include charges for tools, equipment, computers, or other similar materials where the student retains ownership. Fees include charges for these materials if the institution retains ownership. Fees do not include optional or punitive fees.

Sec. 4. Minnesota Statutes 2010, section 136A.1787, is amended to read:

136A.1787 SELF LOAN REVENUE BONDS ANNUAL CERTIFICATE OF NEED.

(a) In order to ensure the payment of the principal of and interest on bonds and notes of the office and the continued maintenance of the loan capital fund under section 136A.1785, the office shall annually determine and certify to the governor, on or before December 1, the amount, if any:

(1) needed to restore the loan capital fund to the minimum amount required by a resolution or indenture relating to any bonds or notes of the office, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding;

(2) determined by the office to be needed in the current or immediately ensuing following fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all outstanding bonds and notes; and

(3) needed to restore any debt service reserve fund securing any outstanding bonds or notes of the office to the amount required in a resolution or indenture relating to such outstanding bonds or notes.

(b) If the office determines the need under paragraph (a), clause (2), to be for the immediately following fiscal year, the governor shall include and submit the amounts certified by the office in accordance with this section to the legislature in the governor's budget for the immediately following fiscal year, or, If the office determines the need under paragraph (a), clause (1), (2), or (3), to be for the current fiscal year, the governor shall include and submit the amounts certified in a governor's supplemental budget if the regular budget for that year has previously been approved enacted.

Sec. 5. **[136F.705] UNDERGRADUATE TUITION GUARANTEE PLAN.**

(a) The board of trustees is encouraged to offer entering students a plan providing stable tuition for students pursuing two-year or four-year degrees that can provide students a tuition option designed to meet the goals in this section.

(b) A Minnesota resident student who first enrolls in a degree program at a state college or university beginning in the fall of 2011 or later is guaranteed a stable tuition for up to four consecutive academic years.

(c) For an undergraduate student enrolled in a baccalaureate degree program at a state university, the tuition charged to the student for each semester of enrollment during a four-year period, beginning with the first semester of enrollment, must not exceed the amount of tuition that the student was charged for the first semester of enrollment. For a student who continues to be enrolled after four consecutive academic years, the tuition rate for each semester in excess of four years is equal to the tuition rate paid by new enrollees at the state university.

(d) For an undergraduate student enrolled in an associate degree program at a college, the tuition charged to the student for each semester of enrollment during a two-year period, beginning with the first semester of enrollment, must not exceed the amount of tuition that the student was charged for the first semester of enrollment. For a student who continues to be enrolled after two consecutive academic years, the tuition rate for each semester in excess of two years is equal to the tuition rate for new enrollees at the college.

(e) Time limits for the stable tuition plan under this section do not apply to a student in the military while the student is on active military duty.

Sec. 6. Minnesota Statutes 2010, section 136G.01, is amended to read:

136G.01 PLAN ESTABLISHED.

A college savings plan known as the Minnesota college savings plan is established. In establishing this plan, the legislature seeks to encourage individuals to save for postsecondary education by:

- (1) providing a qualified tuition plan under federal tax law; and
- ~~(2) providing matching grants for contributions to the program by low- and middle-income families; and~~
- ~~(3)~~ (2) encouraging individuals, foundations, and businesses to provide additional grants to participating students.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 7. Minnesota Statutes 2010, section 136G.03, subdivision 1, is amended to read:

Subdivision 1. **General.** For purposes of sections 136G.01 to ~~136G.13~~ 136G.14, the following terms have the meanings given.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 8. Minnesota Statutes 2010, section 136G.03, subdivision 18, is amended to read:

Subd. 18. **Matching grant.** "Matching grant" means an amount added to a matching grant account under section 136G.11 for eligible account beneficiaries for account contributions in calendar years 2001 to 2010.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 9. Minnesota Statutes 2010, section 136G.03, subdivision 27, is amended to read:

Subd. 27. **Plan.** "Plan" refers to the plan established under sections 136G.01 to ~~136G.13~~ 136G.14.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 10. Minnesota Statutes 2010, section 136G.05, subdivision 1, is amended to read:

Subdivision 1. **Responsibilities.** (a) The director shall establish the rules, terms, and conditions for the plan, subject to the requirements of sections 136G.01 to ~~136G.13~~ 136G.14.

(b) The director shall prescribe the application forms, procedures, and other requirements that apply to the plan.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 11. Minnesota Statutes 2010, section 136G.05, subdivision 6, is amended to read:

Subd. 6. **Three-year period for withdrawal of grants.** A matching grant deposited in ~~the~~ a matching grant account based on account owner contributions during calendar years 2001 to 2010 under section 136G.11 may not be withdrawn within three years of the establishment of the account of the beneficiary. In calculating the three-year period, the period held in another account is included, if the account includes a rollover from another account under section 529(c)(3)(C) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 12. Minnesota Statutes 2010, section 136G.05, subdivision 8, is amended to read:

Subd. 8. **Administration.** The director shall administer the program, including accepting and processing applications, maintaining account records, making payments, ~~making matching grants under section 136G.11,~~ and undertaking any other necessary tasks to administer the program. The office may contract with one or more third parties to carry out some or all of these administrative duties, including providing incentives and marketing the program. The office and the board may jointly contract with third-party providers, if the office and board determine that it is desirable to contract with the same entity or entities for administration and investment management.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 13. **[137.105] UNDERGRADUATE TUITION GUARANTEE PLAN.**

The Board of Regents is encouraged to offer students a guaranteed tuition plan that can provide students a tuition option designed to meet the goals in this section. A Minnesota resident student who first enrolls in a degree program at the University of Minnesota beginning in the fall of 2011 or later may be offered guaranteed stable tuition for up to four consecutive academic years. Under the guaranteed plan, for an undergraduate student enrolled in a baccalaureate degree program, the tuition charged to the student for each semester of enrollment during a four-year period, beginning with the first semester of enrollment, must not exceed the amount of tuition that the student was charged for the first semester of enrollment. For a student who continues to be enrolled after four consecutive academic years, the tuition rate for each semester in excess of four years is equal to the tuition rate paid by new enrollees at the University of Minnesota. Time limits for the stable tuition plan under this section do not apply to a student in the military while the student is on active military duty.

Sec. 14. **[145.4221] STATE FUNDS; PROHIBITED USE FOR HUMAN CLONING.**

Subdivision 1. **Prohibited use of state funds.** No state funds or federal funds the state receives for state programs may be used to either support human cloning or to pay for any expenses incidental to human cloning. For purposes of this section, "cloning" means generating a genetically identical copy of an organism at any stage of development by combining an enucleated egg and the nucleus of a somatic cell to make an embryo.

Subd. 2. **Scientific research.** Nothing in this section shall affect areas of scientific research not specifically addressed by this section, including research in the use of nuclear transfer or other cloning techniques to produce molecules, DNA, cells other than human embryos, tissues, organs, plants, or animals other than humans. In addition, notwithstanding section 145.422, nothing in this section shall affect the scientific field of stem cell research, unless explicitly prohibited.

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

Sec. 15. **STUDY OF GRADUATE EDUCATION IN FOR-PROFIT SECTOR.**

The Minnesota Office of Higher Education must study graduate education in for-profit institutions with a physical presence in the state. The study must examine the rights and responsibilities of graduate students attending those institutions. At a minimum, the study must include an analysis of graduate student disciplinary processes; processes and policies adopted for the protection of graduate students' intellectual property rights; policies and guidelines addressing academic freedom of inquiry for students; and administrative processes in place to address disputes. The office must report on the findings of this study by January 15, 2013, to the committees of the legislature with responsibility for higher education finance. The report must include recommendations for any changes to improve graduate education in the for-profit sector.

Sec. 16. **CREDIT TRANSFER WITHIN MINNESOTA STATE COLLEGES AND UNIVERSITIES.**

When providing the report required by Laws 2010, chapter 364, section 38, the Board of Trustees of the Minnesota State Colleges and Universities shall provide information about progress made toward achieving the goals described in the system's smart transfer plan, and shall provide information about the number of students transferring between and among the system's two- and four-year institutions during the previous fiscal year. In addition, the Board of Trustees shall include a system study of mechanisms for effective transfer in other states.

Sec. 17. **REPEALER.**

(a) Minnesota Statutes 2010, sections 135A.26; and 181.986, are repealed.

(b) Minnesota Statutes 2010, section 136G.11, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10, are repealed effective July 2, 2012.

(c) Laws 2009, chapter 95, article 2, section 39, is repealed effective July 1, 2011."

Delete the title and insert:

"A bill for an act relating to higher education; amending postsecondary education provisions; prohibiting use of certain funds to support human cloning; requiring a study; requiring reports; making technical changes; appropriating money; amending Minnesota Statutes 2010, sections 135A.51, subdivision 2; 136A.121, subdivision 6; 136A.1787; 136G.01; 136G.03, subdivisions 1, 18, 27; 136G.05, subdivisions 1, 6, 8; proposing coding for new law in Minnesota Statutes, chapters 136A; 136F; 137; 145; repealing Minnesota Statutes 2010, sections 135A.26; 136G.11, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10; 181.986; Laws 2009, chapter 95, article 2, section 39."

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

House Conferees: BUD NORNES, BOB DETTMER, KURT DAUDT, PAT MAZOROL and DAVID HANCOCK.

Senate Conferees: MICHELLE L. FISCHBACH, JOHN J. CARLSON, DAVID M. BROWN, CLAIRE A. ROBLING and DAVID H. SENJEM.

Nornes moved that the report of the Conference Committee on H. F. No. 1101 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 1101, A bill for an act relating to higher education; amending postsecondary education provisions; requiring reports; changing Minnesota college savings plan matching grants; making technical changes; modifying definitions; setting requirements for credit transfer; providing stable undergraduate tuition rates; modifying achieve scholarship program; modifying contract and salary provisions; prohibiting use of certain public funds to support human cloning; requiring a study of graduate education in for-profit sector; repealing certain provisions related to equipment and apparel; appropriating money; amending Minnesota Statutes 2010, sections 15A.081, subdivision 7c; 135A.51, subdivision 2; 136A.121, subdivision 6; 136F.40, subdivision 2; 136G.01; 136G.03, subdivisions 1, 18, 27; 136G.05, subdivisions 1, 6, 8; proposing coding for new law in Minnesota Statutes, chapters 136F; 137; 145; repealing Minnesota Statutes 2010, sections 135A.26; 136G.11, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10; 181.986; Laws 2009, chapter 95, article 2, section 39.

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 69 yeas and 57 nays as follows:

Those who voted in the affirmative were:

Abeler	Daudt	Gruenhagen	Leidiger	Myhra	Stensrud
Anderson, B.	Davids	Gunther	LeMieur	Nornes	Swedzinski
Anderson, D.	Dean	Hackbarth	Lohmer	O'Driscoll	Torkelson
Anderson, P.	Dettmer	Hamilton	Loon	Peppin	Urdahl
Anderson, S.	Doepke	Hancock	Mack	Petersen, B.	Vogel
Barrett	Downey	Holberg	Mazorol	Quam	Wardlow
Beard	Drazkowski	Hoppe	McDonald	Runbeck	Westrom
Benson, M.	Erickson	Howes	McElfrick	Sanders	Woodard
Bills	Fabian	Kelly	McFarlane	Schomacker	Spk. Zellers
Buesgens	Franson	Kieffer	McNamara	Scott	
Cornish	Garofalo	Kiffmeyer	Murdock	Shimanski	
Crawford	Gottwalt	Lanning	Murray	Smith	

Those who voted in the negative were:

Anzelc	Falk	Hornstein	Liebling	Murphy, E.	Scalze
Banaian	Fritz	Hortman	Lillie	Murphy, M.	Simon
Brynaert	Gauthier	Hosch	Loeffler	Nelson	Thissen
Carlson	Greene	Johnson	Mahoney	Norton	Tillberry
Champion	Greiling	Kahn	Mariani	Paymar	Wagenius
Clark	Hansen	Kath	Marquart	Pelowski	Ward
Davnie	Hausman	Kiel	Melin	Persell	Winkler
Dill	Hayden	Knuth	Moran	Peterson, S.	
Dittrich	Hilstrom	Koenen	Morrow	Poppe	
Eken	Hilty	Lenczewski	Mullery	Rukavina	

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

Dill and Slocum were excused for the remainder of today's session.

CONFERENCE COMMITTEE REPORT ON H. F. NO. 934

A bill for an act relating to education; providing for policy and funding for family, adult, and prekindergarten through grade 12 education including general education, academic excellence, special education, facilities and technology, nutrition and accounting, libraries, early childhood education, prevention, self-sufficiency and lifelong learning, state agencies, and forecast adjustments; requiring reports; requiring studies; appropriating money; amending Minnesota Statutes 2010, sections 13D.02, by adding a subdivision; 16A.152, subdivision 2; 93.22, subdivision 1; 93.2236; 120A.41; 120B.023, subdivision 2; 120B.07; 120B.30, subdivision 1, by adding a subdivision; 120B.35, subdivision 1; 120B.36, subdivision 1; 122A.40, subdivisions 5, 6, 7, 8, 9, 10, 11, by adding subdivisions; 122A.41, subdivisions 2, 3, 4, 5, 6, 14, by adding a subdivision; 122A.414, subdivisions 1a, 2, 2a, 2b, 4; 122A.416; 122A.60; 122A.61, subdivision 1; 123A.55; 123B.02, subdivision 15; 123B.09, subdivision 8; 123B.143, subdivision 1; 123B.54; 123B.59, subdivision 5; 123B.75, subdivision 5; 124D.10, subdivision 3; 124D.19, subdivision 3; 124D.531, subdivision 1; 124D.86, subdivision 3; 125A.07; 125A.21, subdivisions 2, 3, 5, 7; 125A.515, by adding a subdivision; 125A.69, subdivision 1; 125A.76, subdivision 1; 125A.79, subdivision 1;

126C.10, subdivisions 1, 2, 2a, 3, 7, 8, 8a, 13a, 14, by adding a subdivision; 126C.126; 126C.20; 126C.40, subdivision 1; 126C.44; 127A.33; 127A.441; 127A.45, subdivision 2; 179A.16, subdivision 1; 179A.18, subdivisions 1, 3; 298.28, subdivisions 2, 4; Laws 2009, chapter 79, article 5, section 60, as amended; Laws 2009, chapter 96, article 1, section 24, subdivisions 2, as amended, 3, 4, as amended, 5, as amended, 6, as amended, 7, as amended; article 2, section 67, subdivisions 2, as amended, 3, as amended, 4, as amended, 6, 9, as amended; article 3, section 21, subdivisions 3, 4, as amended; article 4, section 12, subdivision 6, as amended; article 5, section 13, subdivisions 2, 3, 4, as amended; article 6, section 11, subdivisions 3, as amended, 4, as amended, 8, as amended, 12, as amended; proposing coding for new law in Minnesota Statutes, chapters 120B; 122A; 124D; 179A; repealing Minnesota Statutes 2010, sections 122A.61; 123B.05; 123B.59, subdivisions 6, 7; 124D.86, subdivisions 1, 1a, 2, 4, 5, 6; 126C.10, subdivision 5; 127A.46; 129C.10, subdivisions 1, 2, 3, 3a, 4, 6, 7, 8; 129C.105; 129C.15; 129C.20; 129C.25; 129C.26; 179A.18, subdivision 2; Laws 2009, chapter 88, article 12, section 23.

May 16, 2011

The Honorable Kurt Zellers
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 934 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. 934 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1
GENERAL EDUCATION

Section 1. Minnesota Statutes 2010, section 11A.16, subdivision 5, is amended to read:

Subd. 5. **Calculation of income.** As of the end of each fiscal year, the state board shall calculate the investment income earned by the permanent school fund. The investment income earned by the fund shall equal the amount of interest on debt securities ~~and~~ dividends on equity securities, and interest earned on certified monthly earnings prior to the transfer to the Department of Education. Gains and losses arising from the sale of securities shall be apportioned as follows:

(a) If the sale of securities results in a net gain during a fiscal year, the gain shall be apportioned in equal installments over the next ten fiscal years to offset net losses in those years. If any portion of an installment is not needed to recover subsequent losses identified in paragraph (b) it shall be added to the principal of the fund.

(b) If the sale of securities results in a net loss during a fiscal year, the net loss shall be recovered first from the gains in paragraph (a) apportioned to that fiscal year. If these gains are insufficient, any remaining net loss shall be recovered from interest and dividend income in equal installments over the following ten fiscal years.

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

Sec. 2. Minnesota Statutes 2010, section 120A.22, subdivision 11, is amended to read:

Subd. 11. **Assessment of performance.** (a) Each year the performance of every child who is not enrolled in a public school must be assessed using a nationally norm-referenced standardized achievement examination. ~~The superintendent of the district in which the child receives instruction and the person in charge of the child's instruction must agree about the specific examination to be used and the administration and location of the examination or a nationally recognized college entrance exam.~~

~~(b) To the extent the examination in paragraph (a) does not provide assessment in all of the subject areas in subdivision 9, the parent must assess the child's performance in the applicable subject area. This requirement applies only to a parent who provides instruction and does not meet the requirements of subdivision 10, clause (1), (2), or (3).~~

~~(c) If the results of the assessments in paragraphs (a) and (b) indicate that the child's performance on the total battery score is at or below the 30th percentile or one grade level below the performance level for children of the same age, the parent must obtain additional evaluation of the child's abilities and performance for the purpose of determining whether the child has learning problems.~~

~~(d) (b)~~ A child receiving instruction from a nonpublic school, person, or institution that is accredited by an accrediting agency, recognized according to section 123B.445, or recognized by the commissioner, is exempt from the requirements of this subdivision.

Sec. 3. Minnesota Statutes 2010, section 120A.24, is amended to read:

120A.24 REPORTING.

Subdivision 1. **Reports to superintendent.** (a) The person in charge of providing instruction to a child must submit the following information to the superintendent of the district in which the child resides the name, birth date, and address of the child; the annual tests intended to be used under section 120A.22, subdivision 11, if required; the name of each instructor; and evidence of compliance with one of the requirements specified in section 120A.22, subdivision 10:

(1) by October 1 of each the first school year, ~~the name, birth date, and address of each child receiving instruction~~ the child receives instruction after reaching the age of seven;

(2) ~~the name of each instructor and evidence of compliance with one of the requirements specified in section 120A.22, subdivision 10;~~

(3) ~~an annual instructional calendar; and~~

(4) ~~for each child instructed by a parent who meets only the requirement of section 120A.22, subdivision 10, clause (6), a quarterly report card on the achievement of the child in each subject area required in section 120A.22, subdivision 9.~~

(2) ~~within 15 days of when a parent withdraws a child from public school after age seven to homeschool;~~

(3) ~~within 15 days of moving out of a district; and~~

(4) ~~by October 1 after a new resident district is established.~~

(b) The person in charge of providing instruction to a child between the ages of seven and 16 must submit, by October 1 of each school year, a letter of intent to continue to provide instruction under this section for all students under the person's supervision and any changes to the information required in paragraph (a) for each student.

(c) The superintendent may collect the required information under this section through an electronic or Web-based format, but must not require electronic submission of information under this section from the person in charge of reporting under this subdivision.

Subd. 2. **Availability of documentation.** (a) The person in charge of providing instruction to a child must make available maintain documentation indicating that the subjects required in section 120A.22, subdivision 9, are being taught and proof that the tests under section 120A.22, subdivision 11, have been administered. This documentation must include class schedules, copies of materials used for instruction, and descriptions of methods used to assess student achievement.

(b) The parent of a child who enrolls full time in public school after having been enrolled in a home school under section 120A.22, subdivision 6, must provide the enrolling public school or school district with the child's scores on any tests administered to the child under section 120A.22, subdivision 11, and other education-related documents the enrolling school or district requires to determine where the child is placed in school and what course requirements apply. This paragraph does not apply to a shared time student who does not seek a public school diploma.

(c) The person in charge of providing instruction to a child must make the documentation in this subdivision available to the county attorney when a case is commenced under section 120A.26, subdivision 5; chapter 260C; or when diverted under chapter 260A.

Subd. 3. **Exemptions.** A nonpublic school, person, or other institution that is accredited by an accrediting agency, recognized according to section 123B.445, or recognized by the commissioner, is exempt from the requirements in subdivisions 1 and subdivision 2, except for the requirement in subdivision 1, clause (1).

Subd. 4. **Reports to the state.** A superintendent must make an annual report to the commissioner of education by December 1 of the total number of nonpublic children reported as residing in the district. The report must include the following information:

(1) the number of children residing in the district attending nonpublic schools or receiving instruction from persons or institutions other than a public school;

(2) the number of children in clause (1) who are in compliance with section 120A.22 and this section; and

(3) the number of children in clause (1) who the superintendent has determined are not in compliance with section 120A.22 and this section.

Subd. 5. **Obligations.** Nothing in this section alleviates the obligations under section 120A.22.

Sec. 4. Minnesota Statutes 2010, section 120A.41, is amended to read:

120A.41 LENGTH OF SCHOOL YEAR; DAYS HOURS OF INSTRUCTION.

A school board's annual school calendar must include at least the number of days of student instruction the board formally adopted as its school calendar at the beginning of the 1996-1997 school year 425 hours of instruction for a kindergarten student without a disability, 935 hours of instruction for a student in grades 1 through 6, and 1,020 hours of instruction for a student in grades 7 through 12, not including summer school.

Sec. 5. Minnesota Statutes 2010, section 120B.07, is amended to read:

120B.07 EARLY GRADUATION.

(a) Notwithstanding any law to the contrary, any secondary school student who has completed all required courses or standards may, with the approval of the student, the student's parent or guardian, and local school officials, graduate before the completion of the school year.

(b) General education revenue attributable to the student must be paid as though the student was in attendance for the entire year unless the student participates in the early graduation achievement scholarship program under section 120B.08 or the early graduation military service award program under section 120B.081.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 6. **[120B.08] EARLY GRADUATION ACHIEVEMENT SCHOLARSHIP PROGRAM.**

Subdivision 1. Participation. A student who qualifies for early graduation under section 120B.07 is eligible to participate in the early graduation achievement scholarship program.

Subd. 2. Scholarship amounts. A student who participates in the early graduation achievement scholarship program is eligible for a scholarship of \$2,500 if the student qualifies for graduation one semester or two trimesters early, \$5,000 if the student qualifies for graduation two semesters or three or four trimesters early, or \$7,500 if the student qualifies for graduation three or more semesters or five or more trimesters early.

Subd. 3. Scholarship uses. An early graduation achievement scholarship may be used at any accredited institution of higher education.

Subd. 4. Application. A qualifying student may apply to the commissioner of education for an early graduation achievement scholarship. The application must be in the form and manner specified by the commissioner. Upon verification of the qualifying student's course completion necessary for graduation, the department must issue the student a certificate showing the student's scholarship amount.

Subd. 5. Enrollment verification. A student who qualifies under this section and enrolls in an accredited higher education institution must submit a form to the commissioner verifying the student's enrollment in the higher education institution and the tuition charges for that semester. Within 15 days of receipt of a student's enrollment and tuition verification form, the commissioner must issue a scholarship check to the student in the lesser of the tuition amount for that semester or the maximum amount of the student's early graduation achievement scholarship. A student may continue to submit enrollment verification forms to the commissioner until the student has used the full amount of the student's graduation achievement scholarship.

Subd. 6. General education money transferred. The commissioner must transfer the amounts necessary to fund the early graduation achievement scholarships from the general education aid appropriation for that year.

EFFECTIVE DATE. This section is effective for fiscal year 2012 and later.

Sec. 7. **[120B.081] EARLY GRADUATION MILITARY SERVICE AWARD PROGRAM.**

Subdivision 1. Eligibility. For purposes of this section, "eligible person" means a secondary student enrolled in any Minnesota public school who qualifies for early graduation under section 120B.07 and who, before the end of the calendar year of the student's graduation, enters into active service in either the active or reserve component of the United States armed forces and deploys for 60 days or longer to a military base or installation outside Minnesota for the purpose of attending basic military training or military school and, if required by the military, performing other military duty. The active service may be in accordance with United States Code, title 10 or title 32.

Subd. 2. **Application.** An eligible person may apply to the commissioner of education for an early graduation military service bonus. The application must be in the form and manner specified by the commissioner.

Subd. 3. **Verification and award.** Upon verification of the qualifying student's course completion necessary for graduation and eligibility for the military service bonus, the commissioner must issue payment to that person. Payment amounts must be determined according to section 120B.08, subdivision 2.

EFFECTIVE DATE. This section is effective for fiscal year 2012 and later.

Sec. 8. Minnesota Statutes 2010, section 121A.15, subdivision 8, is amended to read:

Subd. 8. **Report.** The administrator or other person having general control and supervision of the elementary or secondary school shall file a report with the commissioner on all persons enrolled in the school. The superintendent of each district shall file a report with the commissioner for all persons within the district receiving instruction in a home school in compliance with sections 120A.22 and 120A.24. The parent of persons receiving instruction in a home school shall submit the statements as required by subdivisions 1, 2, 3, ~~and 4,~~ and 12 to the superintendent of the district in which the person resides by October 1 of ~~each school year~~ the first year of their homeschooling in Minnesota and the grade 7 year. The school report must be prepared on forms developed jointly by the commissioner of health and the commissioner of education and be distributed to the local districts by the commissioner of health. The school report must state the number of persons attending the school, the number of persons who have not been immunized according to subdivision 1 or 2, and the number of persons who received an exemption under subdivision 3, clause (c) or (d). The school report must be filed with the commissioner of education within 60 days of the commencement of each new school term. Upon request, a district must be given a 60-day extension for filing the school report. The commissioner of education shall forward the report, or a copy thereof, to the commissioner of health who shall provide summary reports to boards of health as defined in section 145A.02, subdivision 2. The administrator or other person having general control and supervision of the child care facility shall file a report with the commissioner of human services on all persons enrolled in the child care facility. The child care facility report must be prepared on forms developed jointly by the commissioner of health and the commissioner of human services and be distributed to child care facilities by the commissioner of health. The child care facility report must state the number of persons enrolled in the facility, the number of persons with no immunizations, the number of persons who received an exemption under subdivision 3, clause (c) or (d), and the number of persons with partial or full immunization histories. The child care facility report must be filed with the commissioner of human services by November 1 of each year. The commissioner of human services shall forward the report, or a copy thereof, to the commissioner of health who shall provide summary reports to boards of health as defined in section 145A.02, subdivision 2. The report required by this subdivision is not required of a family child care or group family child care facility, for prekindergarten children enrolled in any elementary or secondary school provided services according to sections 125A.05 and 125A.06, nor for child care facilities in which at least 75 percent of children in the facility participate on a onetime only or occasional basis to a maximum of 45 hours per child, per month.

Sec. 9. Minnesota Statutes 2010, section 123A.55, is amended to read:

123A.55 CLASSES, NUMBER.

Districts shall be classified as common, independent, ~~or special, or charter districts.~~ Each ~~of which common, independent, and special district~~ is a public corporation. Each district shall be known by its classification and assigned a number by the commissioner so that its title will be School District No.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 10. Minnesota Statutes 2010, section 124D.59, subdivision 2, is amended to read:

Subd. 2. **Pupil of limited English proficiency.** (a) "Pupil of limited English proficiency" means a pupil in kindergarten through grade 12 who meets the following requirements:

(1) the pupil, as declared by a parent or guardian first learned a language other than English, comes from a home where the language usually spoken is other than English, or usually speaks a language other than English; and

(2) the pupil is determined by developmentally appropriate measures, which might include observations, teacher judgment, parent recommendations, or developmentally appropriate assessment instruments, to lack the necessary English skills to participate fully in classes taught in English.

(b) Notwithstanding paragraph (a), a pupil in grades 4 through 12 who was enrolled in a Minnesota public school on the dates during the previous school year when a commissioner provided assessment that measures the pupil's emerging academic English was administered, shall not be counted as a pupil of limited English proficiency in calculating limited English proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state limited English proficiency aid under section 124D.65, subdivision 5, unless the pupil scored below the state cutoff score or is otherwise counted as a nonproficient participant on an assessment measuring emerging academic English provided by the commissioner during the previous school year.

(c) Notwithstanding paragraphs (a) and (b), a pupil in kindergarten through grade 12 shall not be counted as a pupil of limited English proficiency in calculating limited English proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state limited English proficiency aid under section 124D.65, subdivision 5, if:

(1) the pupil is not enrolled during the current fiscal year in an educational program for pupils of limited English proficiency in accordance with sections 124D.58 to 124D.64; or

(2) the pupil has generated five or more years of average daily membership in Minnesota public schools since July 1, 1996.

Sec. 11. Minnesota Statutes 2010, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. The formula allowance for fiscal year ~~2007 is \$4,974~~ 2011 is \$5,124. The formula allowance for fiscal year ~~2008 is \$5,074 and~~ 2012 is \$5,144. The formula allowance for fiscal year ~~2009~~ 2013 and subsequent years is ~~\$5,124~~ \$5,165.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 12. Minnesota Statutes 2010, section 126C.10, subdivision 3, is amended to read:

Subd. 3. **Compensatory education revenue.** (a) The compensatory education revenue for each building in the district equals ~~the formula allowance minus \$415~~ \$4,709 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

(b) When the district contracting with an alternative program under section 124D.69 changes prior to the start of a school year, the compensatory revenue generated by pupils attending the program shall be paid to the district contracting with the alternative program for the current school year, and shall not be paid to the district contracting with the alternative program for the prior school year.

(c) When the fiscal agent district for an area learning center changes prior to the start of a school year, the compensatory revenue shall be paid to the fiscal agent district for the current school year, and shall not be paid to the fiscal agent district for the prior school year.

Sec. 13. Minnesota Statutes 2010, section 126C.10, subdivision 7, is amended to read:

Subd. 7. **Secondary sparsity revenue.** (a) A district's secondary sparsity revenue for a school year equals the sum of the results of the following calculation for each qualifying high school in the district:

(1) ~~the formula allowance for the school year~~ \$5,124, multiplied by

(2) the secondary average daily membership of pupils served in the high school, multiplied by

(3) the quotient obtained by dividing 400 minus the secondary average daily membership by 400 plus the secondary daily membership, multiplied by

(4) the lesser of 1.5 or the quotient obtained by dividing the isolation index minus 23 by ten.

(b) A newly formed district that is the result of districts combining under the cooperation and combination program or consolidating under section 123A.48 must receive secondary sparsity revenue equal to the greater of: (1) the amount calculated under paragraph (a) for the combined district; or (2) the sum of the amounts of secondary sparsity revenue the former districts had in the year prior to consolidation, increased for any subsequent changes in the secondary sparsity formula.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 14. Minnesota Statutes 2010, section 126C.10, subdivision 8, is amended to read:

Subd. 8. **Elementary sparsity revenue.** A district's elementary sparsity revenue equals the sum of the following amounts for each qualifying elementary school in the district:

(1) ~~the formula allowance for the year~~ \$5,124, multiplied by

(2) the elementary average daily membership of pupils served in the school, multiplied by

(3) the quotient obtained by dividing 140 minus the elementary average daily membership by 140 plus the average daily membership.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 15. Minnesota Statutes 2010, section 126C.10, subdivision 8a, is amended to read:

Subd. 8a. **Sparsity revenue for school districts that close facilities.** A school district that closes a school facility or whose sparsity revenue is reduced by a school closure in another district is eligible for elementary and secondary sparsity revenue equal to the greater of the amounts calculated under subdivisions 6, 7, and 8 or the total amount of sparsity revenue for the previous fiscal year if the school board of the district has adopted a written resolution stating that the district intends to close the school facility, but cannot proceed with the closure without the adjustment to sparsity revenue authorized by this subdivision. The written resolution must be filed with the commissioner of education at least 60 days prior to the start of the fiscal year for which aid under this subdivision is first requested. A school district whose sparsity revenue is affected by a closure in another district is not required to adopt a written resolution under this section.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 16. Minnesota Statutes 2010, section 126C.10, subdivision 14, is amended to read:

Subd. 14. **Uses of total operating capital revenue.** Total operating capital revenue may be used only for the following purposes:

- (1) to acquire land for school purposes;
- (2) to acquire or construct buildings for school purposes;
- (3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;
- (4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;
- (5) for a surplus school building that is used substantially for a public nonschool purpose;
- (6) to eliminate barriers or increase access to school buildings by individuals with a disability;
- (7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;
- (8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;
- (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;
- (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;
- (11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;
- (12) to improve buildings that are leased according to section 123B.51, subdivision 4;
- (13) to pay special assessments levied against school property but not to pay assessments for service charges;
- (14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;
- (15) to purchase or lease interactive telecommunications equipment;
- (16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;
- (17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;
- (18) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;
- (19) to purchase or lease assistive technology or equipment for instructional programs;

(20) to purchase textbooks;

(21) to purchase new and replacement library media resources or technology;

(22) to lease or purchase vehicles;

(23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:

(i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;

(ii) managing student assessment, services, and achievement information required for students with individual education plans; and

(iii) other classroom information management needs; ~~and~~

(24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software; and

(25) to pay the costs directly associated with closing a school facility, including moving and storage costs.

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

Sec. 17. Minnesota Statutes 2010, section 126C.10, subdivision 18, is amended to read:

Subd. 18. **Transportation sparsity revenue allowance.** (a) A district's transportation sparsity allowance equals the greater of zero or the result of the following computation:

~~(i)~~ (1) multiply ~~the formula allowance according to subdivision 2, \$5,124~~ by .1469;

~~(ii)~~ (2) multiply the result in clause ~~(i)~~ (1) by the district's sparsity index raised to the 26/100 power;

~~(iii)~~ (3) multiply the result in clause ~~(ii)~~ (2) by the district's density index raised to the 13/100 power;

~~(iv)~~ (4) multiply ~~the formula allowance according to subdivision 2, \$5,124~~ by .0485; and

~~(v)~~ (5) subtract the result in clause ~~(iv)~~ (4) from the result in clause ~~(iii)~~ (3).

(b) Transportation sparsity revenue is equal to the transportation sparsity allowance times the adjusted marginal cost pupil units.

EFFECTIVE DATE. This section is effective for fiscal year 2012 and later.

Sec. 18. Minnesota Statutes 2010, section 126C.126, is amended to read:

126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN AND PREKINDERGARTEN.

(a) In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07 and who do not participate in the early graduation achievement scholarship program under section 120B.08 or the early graduation military service award program under section 120B.081.

(b) A school district may spend general education revenue on extended time kindergarten and prekindergarten programs.

EFFECTIVE DATE. This section is effective for fiscal year 2012 and later.

Sec. 19. Minnesota Statutes 2010, section 126C.20, is amended to read:

126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.

There is annually appropriated from the general fund to the department the amount necessary for general education aid under section 126C.13, the early graduation achievement scholarship program under section 120B.08, and the early graduation military service award program under section 120B.081. This amount must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

EFFECTIVE DATE. This section is effective for fiscal year 2012 and later.

Sec. 20. Minnesota Statutes 2010, section 126C.44, is amended to read:

126C.44 SAFE SCHOOLS LEVY.

(a) Each district may make a levy on all taxable property located within the district for the purposes specified in this section. The maximum amount which may be levied for all costs under this section shall be equal to \$30 multiplied by the district's adjusted marginal cost pupil units for the school year. The proceeds of the levy must be reserved and used for directly funding the following purposes or for reimbursing the cities and counties who contract with the district for the following purposes: (1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in services in the district's schools; (2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools; (3) to pay the costs for a gang resistance education training curriculum in the district's schools; (4) to pay the costs for security in the district's schools and on school property; (5) to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district; or (6) to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems. For expenditures under clause (1), the district must initially attempt to contract for services to be provided by peace officers or sheriffs with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries.

(b) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with safe schools activities authorized under paragraph (a) for intermediate school district programs. This authority must not exceed \$10 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section. Revenue raised under this paragraph must be transferred to the intermediate school district.

~~(c) A school district must set aside at least \$3 per adjusted marginal cost pupil unit of the safe schools levy proceeds for the purposes authorized under paragraph (a), clause (6). The district must annually certify either that: (1) its total spending on services provided by the employees listed in paragraph (a), clause (6), is not less than the sum of its expenditures for these purposes, excluding amounts spent under this section, in the previous year plus the amount spent under this section; or (2) that the district's full time equivalent number of employees listed in paragraph (a), clause (6), is not less than the number for the previous year.~~

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 21. Minnesota Statutes 2010, section 127A.33, is amended to read:

127A.33 SCHOOL ENDOWMENT FUND; APPORTIONMENT.

The commissioner shall apportion the school endowment fund semiannually on the first Monday in March and September in each year, to districts whose schools have been in session at least nine months. The apportionment shall be in proportion to ~~the number of pupils in each district's adjusted~~ average daily membership during the preceding year. The apportionment shall not be paid to a district for pupils for whom tuition is received by the district.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 22. Minnesota Statutes 2010, section 127A.45, subdivision 6a, is amended to read:

Subd. 6a. **Cash flow adjustment.** The board of directors of any charter school serving fewer than 150 students where the percent of students eligible for special education services equals ~~100~~ at least 90 percent of the charter school's total enrollment may request that the commissioner of education accelerate the school's cash flow under this section. The commissioner must approve a properly submitted request within 30 days of its receipt. The commissioner must accelerate the school's ~~cash flow aid payments for all state aid~~ regular special education aid payments according to the schedule in the school's request and modify the payments to the school under subdivision 3 accordingly. A school must not receive current payments of regular special education aid exceeding 90 percent of its estimated aid entitlement for the fiscal year. The commissioner must delay the special education aid payments to all other school districts and charter schools in proportion to each district or charter school's total share of regular special education aid such that the overall aid payment savings from the aid payment shift remains unchanged for any fiscal year.

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

Sec. 23. Minnesota Statutes 2010, section 171.05, subdivision 2, is amended to read:

Subd. 2. **Person less than 18 years of age.** (a) Notwithstanding any provision in subdivision 1 to the contrary, the department may issue an instruction permit to an applicant who is 15, 16, or 17 years of age and who:

(1) has completed a course of driver education in another state, has a previously issued valid license from another state, or is enrolled in either:

(i) a public, private, or commercial driver education program that is approved by the commissioner of public safety and that includes classroom and behind-the-wheel training; or

(ii) an approved behind-the-wheel driver education program when the student is receiving full-time instruction in a home school within the meaning of sections 120A.22 and 120A.24, the student is working toward a homeschool diploma, ~~the student's status as a homeschool student has been certified by the superintendent of the school district in which the student resides, and~~ the student is taking home-classroom driver training with classroom materials approved by the commissioner of public safety, and the student's parent has certified the student's homeschool and home-classroom driver training status on the form approved by the commissioner;

(2) has completed the classroom phase of instruction in the driver education program;

(3) has passed a test of the applicant's eyesight;

(4) has passed a department-administered test of the applicant's knowledge of traffic laws;

(5) has completed the required application, which must be approved by (i) either parent when both reside in the same household as the minor applicant or, if otherwise, then (ii) the parent or spouse of the parent having custody or, in the event there is no court order for custody, then (iii) the parent or spouse of the parent with whom the minor is living or, if items (i) to (iii) do not apply, then (iv) the guardian having custody of the minor, (v) the foster parent or the director of the transitional living program in which the child resides or, in the event a person under the age of 18 has no living father, mother, or guardian, or is married or otherwise legally emancipated, then (vi) the applicant's adult spouse, adult close family member, or adult employer; provided, that the approval required by this clause contains a verification of the age of the applicant and the identity of the parent, guardian, adult spouse, adult close family member, or adult employer; and

(6) has paid the fee required in section 171.06, subdivision 2.

(b) For the purposes of determining compliance with the certification of paragraph (a), clause (1), item (ii), the commissioner may request verification of a student's homeschool status from the superintendent of the school district in which the student resides and the superintendent shall provide that verification.

(c) The instruction permit is valid for two years from the date of application and may be renewed upon payment of a fee equal to the fee for issuance of an instruction permit under section 171.06, subdivision 2.

Sec. 24. Minnesota Statutes 2010, section 171.17, subdivision 1, is amended to read:

Subdivision 1. **Offenses.** (a) The department shall immediately revoke the license of a driver upon receiving a record of the driver's conviction of:

(1) manslaughter resulting from the operation of a motor vehicle or criminal vehicular homicide or injury under section 609.21;

(2) a violation of section 169A.20 or 609.487;

(3) a felony in the commission of which a motor vehicle was used;

(4) failure to stop and disclose identity and render aid, as required under section 169.09, in the event of a motor vehicle accident, resulting in the death or personal injury of another;

(5) perjury or the making of a false affidavit or statement to the department under any law relating to the application, ownership, or operation of a motor vehicle, including on the certification required under section 171.05, subdivision 2, paragraph (a), clause (1), item (ii), to issue an instruction permit to a homeschool student;

(6) except as this section otherwise provides, three charges of violating within a period of 12 months any of the provisions of chapter 169 or of the rules or municipal ordinances enacted in conformance with chapter 169, for which the accused may be punished upon conviction by imprisonment;

(7) two or more violations, within five years, of the misdemeanor offense described in section 169.444, subdivision 2, paragraph (a);

(8) the gross misdemeanor offense described in section 169.444, subdivision 2, paragraph (b);

(9) an offense in another state that, if committed in this state, would be grounds for revoking the driver's license; or

(10) a violation of an applicable speed limit by a person driving in excess of 100 miles per hour. The person's license must be revoked for six months for a violation of this clause, or for a longer minimum period of time applicable under section 169A.53, 169A.54, or 171.174.

(b) The department shall immediately revoke the school bus endorsement of a driver upon receiving a record of the driver's conviction of the misdemeanor offense described in section 169.443, subdivision 7.

Sec. 25. Minnesota Statutes 2010, section 171.22, subdivision 1, is amended to read:

Subdivision 1. **Violations.** With regard to any driver's license, including a commercial driver's license, it shall be unlawful for any person:

(1) to display, cause or permit to be displayed, or have in possession, any fictitious or fraudulently altered driver's license or Minnesota identification card;

(2) to lend the person's driver's license or Minnesota identification card to any other person or knowingly permit the use thereof by another;

(3) to display or represent as one's own any driver's license or Minnesota identification card not issued to that person;

(4) to use a fictitious name or date of birth to any police officer or in any application for a driver's license or Minnesota identification card, or to knowingly make a false statement, or to knowingly conceal a material fact, or otherwise commit a fraud in any such application;

(5) to alter any driver's license or Minnesota identification card;

(6) to take any part of the driver's license examination for another or to permit another to take the examination for that person;

(7) to make a counterfeit driver's license or Minnesota identification card;

(8) to use the name and date of birth of another person to any police officer for the purpose of falsely identifying oneself to the police officer; ~~or~~

(9) to display as a valid driver's license any canceled, revoked, or suspended driver's license. A person whose driving privileges have been withdrawn may display a driver's license only for identification purposes; or

(10) to submit a false affidavit or statement to the department on the certification required under section 171.05, subdivision 2, paragraph (a), clause (1), item (ii), to issue an instruction permit to a homeschool student.

Sec. 26. Minnesota Statutes 2010, section 181A.05, subdivision 1, is amended to read:

Subdivision 1. **When issued.** Any minor 14 or 15 years of age who wishes to work on school days during school hours shall first secure an employment certificate. The certificate shall be issued only by the school district superintendent, the superintendent's agent, ~~or~~ some other person designated by the Board of Education, or by the person in charge of providing instruction for students enrolled in nonpublic schools as defined in section 120A.22, subdivision 4. The employment certificate shall be issued only for a specific position with a designated employer and shall be issued only in the following circumstances:

(1) if a minor is to be employed in an occupation not prohibited by rules promulgated under section 181A.09 and as evidence thereof presents a signed statement from the prospective employer; and

(2) if the parent or guardian of the minor consents to the employment; and

(3) if the issuing officer believes the minor is physically capable of handling the job in question and further believes the best interests of the minor will be served by permitting the minor to work.

Sec. 27. Minnesota Statutes 2010, section 298.28, subdivision 2, is amended to read:

Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," ~~plus the amount provided in paragraph (c),~~ must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the Tax Court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that has been actively mined in at least one of the prior three years. If a city or town is located near more than one mine meeting these criteria, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. Of the amounts distributed under this paragraph to each municipality, one-half must be used for infrastructure improvement projects, and one-half must be used for projects in which two or more municipalities cooperate. Each municipality that receives a distribution under this paragraph must report annually to the Iron Range Resources and Rehabilitation Board and the commissioner of Iron Range resources and rehabilitation on the projects involving cooperation with other municipalities.

~~(c) The amount that would have been computed for the current year under Minnesota Statutes 2008, section 126C.21, subdivision 4, for a school district within which the taconite was mined or quarried or within which the concentrate is produced is added to the amount to be distributed to the cities and towns located within that school district as provided in paragraph (a).~~

EFFECTIVE DATE. This section is effective for distributions in 2012 and thereafter.

Sec. 28. Minnesota Statutes 2010, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) 23.15 cents per taxable ton, plus the increase provided in paragraph (d), ~~less the amount that would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that district,~~ must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b) (i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Four cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i). If there are insufficient tax proceeds to make the distribution provided under this paragraph in any year, money must be transferred from the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the distribution.

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce

general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

EFFECTIVE DATE. This section is effective for distributions in 2012 and thereafter.

Sec. 29. **ALTERNATIVE COMPENSATION FORECAST REVENUE RECAPTURE.**

Notwithstanding Minnesota Statutes, section 126C.10, subdivision 34, paragraph (c), for fiscal year 2012 only, the aid entitlement for basic alternative compensation is reduced by \$10,190,000 compared to the February 2011 forecast.

Sec. 30. **KITTSON CENTRAL SCHOOL CLOSING.**

Independent School District No. 356, Lancaster, is eligible for sparsity revenue calculated under Minnesota Statutes, section 126C.10, subdivision 8a, for fiscal year 2012 and later, if the board has adopted a written resolution at any time prior to the start of the 2011-2012 school year to notify the commissioner and request aid under Minnesota Statutes, section 126C.10, subdivision 8a. For the purposes of this section, the school district shall be eligible for aid under Minnesota Statutes, section 126C.10, subdivision 8a, as a result of the closure of the Kennedy Elementary School in Independent School District No. 2171, Kittson Central.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 31. **NORTHLAND COMMUNITY SCHOOL CLOSING.**

(a) Independent School District No. 118, Northland Community Schools, is eligible for sparsity revenue calculated under Minnesota Statutes, section 126C.10, subdivision 8a, for fiscal year 2012 and later, if the board has adopted the required written resolution at least 60 days prior to the start of fiscal year 2012.

(b) If the school district adopts a written resolution under paragraph (a), in fiscal year 2012, the commissioner must provide sparsity aid to the district in an amount equal to the amount that the district would have received under Minnesota Statutes, section 126C.10, subdivision 8a, in fiscal year 2011, if the provisions of paragraph (a) had been in effect. The school district must recognize the sparsity aid provided under this paragraph as revenue in fiscal year 2011.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2011.

Sec. 32. **SCHOOL DISTRICT LEVY ADJUSTMENTS.**

Subdivision 1. Tax rate adjustment. The commissioner of education must adjust each school district tax rate established under Minnesota Statutes, chapters 120B to 127A, by multiplying the rate by the ratio of the statewide total tax capacity for assessment year 2010 as it existed prior to the passage of House File 42, or a similarly styled bill, to the statewide total tax capacity for assessment year 2010.

Subd. 2. Equalizing factors. The commissioner of education must adjust each school district equalizing factor established under Minnesota Statutes, chapters 120B to 127A, by dividing the equalizing factor by the ratio of the statewide total tax capacity for assessment year 2010 as it existed prior to the passage of House File 42, or a similarly styled bill, to the statewide total tax capacity for assessment year 2010.

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

Sec. 33. **APPROPRIATIONS.**

Subdivision 1. Department of Education. The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. General education aid. For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

<u>\$5,656,581,000</u>	.....	<u>2012</u>
<u>\$5,785,231,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$1,678,539,000 for 2011 and \$3,978,042,000 for 2012.

The 2013 appropriation includes \$1,704,523,000 for 2012 and \$4,080,708,000 for 2013.

Subd. 3. Enrollment options transportation. For transportation of pupils attending postsecondary institutions under Minnesota Statutes, section 124D.09, or for transportation of pupils attending nonresident districts under Minnesota Statutes, section 124D.03:

<u>\$31,000</u>	.....	<u>2012</u>
<u>\$32,000</u>	.....	<u>2013</u>

Subd. 4. Abatement revenue. For abatement aid under Minnesota Statutes, section 127A.49:

<u>\$1,452,000</u>	.....	<u>2012</u>
<u>\$1,635,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$346,000 for 2011 and \$1,106,000 for 2012.

The 2013 appropriation includes \$473,000 for 2012 and \$1,162,000 for 2013.

Subd. 5. Consolidation transition. For districts consolidating under Minnesota Statutes, section 123A.485:

<u>\$145,000</u>	.....	<u>2012</u>
<u>\$210,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$145,000 for 2011 and \$0 for 2012.

The 2013 appropriation includes \$0 for 2012 and \$210,000 for 2013.

Subd. 6. Nonpublic pupil education aid. For nonpublic pupil education aid under Minnesota Statutes, sections 123B.40 to 123B.43 and 123B.87:

<u>\$16,118,000</u>	.....	<u>2012</u>
<u>\$16,043,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$5,078,000 for 2011 and \$11,040,000 for 2012.

The 2013 appropriation includes \$4,730,000 for 2012 and \$11,313,000 for 2013.

Subd. 7. Nonpublic pupil transportation. For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

<u>\$18,979,000</u>	.....	<u>2012</u>
<u>\$18,905,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$5,895,000 for 2011 and \$13,084,000 for 2012.

The 2013 appropriation includes \$5,607,000 for 2012 and \$13,298,000 for 2013.

Subd. 8. One-room schoolhouse. For a grant to Independent School District No. 690, Warroad, to operate the Angle Inlet School:

<u>\$65,000</u>	.....	<u>2012</u>
<u>\$65,000</u>	.....	<u>2013</u>

Subd. 9. Compensatory revenue pilot project. For grants for participation in the compensatory revenue pilot program under Laws 2005, First Special Session chapter 5, article 1, section 50:

<u>\$2,175,000</u>	.....	<u>2012</u>
<u>\$2,175,000</u>	.....	<u>2013</u>

Of this amount, \$1,500,000 in each year is for a grant to Independent School District No. 11, Anoka-Hennepin; \$75,000 in each year is for a grant to Independent School District No. 286, Brooklyn Center; \$210,000 in each year is for a grant to Independent School District No. 279, Osseo; \$160,000 in each year is for a grant to Independent School District No. 281, Robbinsdale; \$165,000 in each year is for a grant to Independent School District No. 535, Rochester; and \$65,000 in each year is for a grant to Independent School District No. 833, South Washington.

If a grant to a specific school district is not awarded, the commissioner may increase the aid amounts to any of the remaining participating school districts.

This appropriation is part of the base budget for subsequent fiscal years.

Sec. 34. **REPEALER AND REENACTMENT.**

(a) Laws 2009, chapter 88, article 12, section 23, paragraph (c), is repealed and Minnesota Statutes 2008, section 126C.21, subdivision 4, is reenacted for revenue for fiscal year 2012 and thereafter.

(b) Minnesota Statutes 2010, sections 120A.26, subdivisions 1 and 2; and 126C.10, subdivision 5, are repealed.

ARTICLE 2
ACADEMIC EXCELLENCE

Section 1. Minnesota Statutes 2010, section 13D.02, is amended by adding a subdivision to read:

Subd. 5. School boards; interactive technology with an audio and visual link. A school board conducting a meeting under this section may use interactive technology with an audio and visual link to conduct the meeting if the school board complies with all other requirements under this section.

Sec. 2. Minnesota Statutes 2010, section 120B.023, subdivision 2, is amended to read:

Subd. 2. Revisions and reviews required. (a) The commissioner of education must revise and appropriately embed technology and information literacy standards consistent with recommendations from school media specialists into the state's academic standards and graduation requirements and implement a review cycle for state academic standards and related benchmarks, consistent with this subdivision. The commissioner must revise and align the state's academic standards and graduation requirements, consistent with the review cycle established in this subdivision and the requirements of chapter 14, but must not proceed to finally adopt revised and realigned academic standards and graduation requirements in rule without first receiving specific legislative authority to do so. During each review cycle, the commissioner also must examine the alignment of each required academic standard and related benchmark with the knowledge and skills students need for college readiness and advanced work in the particular subject area.

(b) The commissioner in the 2006-2007 school year must revise and align the state's academic standards and high school graduation requirements in mathematics to require that students satisfactorily complete the revised mathematics standards, beginning in the 2010-2011 school year. Under the revised standards:

(1) students must satisfactorily complete an algebra I credit by the end of eighth grade; and

(2) students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete an algebra II credit or its equivalent.

The commissioner also must ensure that the statewide mathematics assessments administered to students in grades 3 through 8 and 11 are aligned with the state academic standards in mathematics, consistent with section 120B.30, subdivision 1, paragraph (b). The commissioner must implement a review of the academic standards and related benchmarks in mathematics beginning in the 2015-2016 school year.

(c) The commissioner in the 2007-2008 school year must revise and align the state's academic standards and high school graduation requirements in the arts to require that students satisfactorily complete the revised arts standards beginning in the 2010-2011 school year. The commissioner must implement a review of the academic standards and related benchmarks in arts beginning in the 2016-2017 school year.

(d) The commissioner in the 2008-2009 school year must revise and align the state's academic standards and high school graduation requirements in science to require that students satisfactorily complete the revised science standards, beginning in the 2011-2012 school year. Under the revised standards, students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete a chemistry ~~or~~ physics, or career and technical education credit. The commissioner must implement a review of the academic standards and related benchmarks in science beginning in the 2017-2018 school year.

(e) The commissioner in the 2009-2010 school year must revise and align the state's academic standards and high school graduation requirements in language arts to require that students satisfactorily complete the revised language arts standards beginning in the 2012-2013 school year. The commissioner must implement a review of the academic standards and related benchmarks in language arts beginning in the 2018-2019 school year.

(f) The commissioner in the 2010-2011 school year must ~~revise and align~~ review the state's academic standards and high school graduation requirements in social studies ~~to require~~ that students must satisfactorily complete ~~the revised social studies standards~~ beginning in the ~~2013-2014~~ 2014-2015 school year. The commissioner must again implement a review of the academic standards and related benchmarks in social studies beginning in the ~~2019-2020~~ 2020-2021 school year.

(g) School districts and charter schools must revise and align local academic standards and high school graduation requirements in health, world languages, and career and technical education to require students to complete the revised standards beginning in a school year determined by the school district or charter school. School districts and charter schools must formally establish a periodic review cycle for the academic standards and related benchmarks in health, world languages, and career and technical education.

(h) The commissioner is prohibited from adopting common core state standards in any subject and school year listed in any revision cycle under this section that were developed with the participation of the National Governors Association and the Council of Chief State School Officers.

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

Sec. 3. Minnesota Statutes 2010, section 120B.35, subdivision 1, is amended to read:

Subdivision 1. **School and student indicators of growth and achievement.** The commissioner must develop and implement a system for measuring and reporting academic achievement and individual student growth, consistent with the statewide educational accountability and reporting system. The system components must measure and separately report the adequate yearly progress of schools and the growth of individual students: students' current achievement in schools under subdivision 2; and individual students' educational growth over time under subdivision 3. The commissioner annually must report a student's growth and progress toward grade-level proficiency under section 120B.299 as it relates to applicable state academic standards and the statewide assessments aligned with those standards. The system also must include statewide measures of student academic growth that identify schools with high levels of growth, and also schools with low levels of growth that need improvement. When determining a school's effect, the data must include both statewide measures of student achievement and, to the extent annual tests are administered, indicators of achievement growth that take into account a student's prior achievement. Indicators of achievement and prior achievement must be based on highly reliable statewide or districtwide assessments. Indicators that take into account a student's prior achievement must not be used to disregard a school's low achievement or to exclude a school from a program to improve low achievement levels.

EFFECTIVE DATE. This section is effective July 1, 2012, and applies to growth data beginning in the 2012-2013 school year.

Sec. 4. Minnesota Statutes 2010, section 120B.36, subdivision 1, is amended to read:

Subdivision 1. **School performance report cards.** (a) The commissioner shall report student academic performance under section 120B.35, subdivision 2; the percentages of students showing low, medium, and high growth under section 120B.35, subdivision 3, paragraph (b); school safety and student engagement and connection under section 120B.35, subdivision 3, paragraph (d); rigorous coursework under section 120B.35, subdivision 3, paragraph (c); two separate student-to-teacher ratios that clearly indicate the definition of teacher consistent with sections 122A.06 and 122A.15 for purposes of determining these ratios; staff characteristics excluding salaries; the number of teachers in each performance effectiveness rating category under section 122A.411, subdivision 3, by school site; student enrollment demographics; district mobility; and extracurricular activities. The report also must indicate a school's adequate yearly progress status, and must not set any designations applicable to high- and low-performing schools due solely to adequate yearly progress status.

(b) The commissioner shall develop, annually update, and post on the department Web site school performance report cards.

(c) The commissioner must make available performance report cards by the beginning of each school year.

(d) A school or district may appeal its adequate yearly progress status in writing to the commissioner within 30 days of receiving the notice of its status. The commissioner's decision to uphold or deny an appeal is final.

(e) School performance report card data are nonpublic data under section 13.02, subdivision 9, until not later than ten days after the appeal procedure described in paragraph (d) concludes. The department shall annually post school performance report cards to its public Web site no later than September 1.

EFFECTIVE DATE. This section is effective July 1, 2014.

Sec. 5. [120B.361] DISTRICT AND CHARTER SCHOOL AND SCHOOL DISTRICT GRADING SYSTEM AND SCHOOL RECOGNITION PROGRAM.

Subdivision 1. District and charter school and school district grades. (a) Consistent with the state growth targets established under sections 120B.299 and 120B.35, subdivision 3, paragraphs (a) and (b), and the school performance report cards under section 120B.36, subdivision 1, an "A to F" grading system for district and charter schools and school districts is established to help identify those schools and districts where students are achieving low, medium, or high growth and achieving or not achieving proficiency on statewide assessments under section 120B.30. For purposes of this section, and using the state growth target, the commissioner annually must assign each district and charter school and school district an "A to F" grade and then report that grade under section 120B.36, subdivision 1, based on the following calculations:

(1) 50 percent of a school's grade must be determined based on the numbers and percentages of students in each applicable student category for which assessment data is disaggregated under section 120B.35, subdivision 3, paragraph (b), clause (2), and paragraph (c), who achieved proficiency on the statewide reading and mathematics assessments under section 120B.30 in the previous school year;

(2) 25 percent of a school's grade must be determined based on the numbers and percentages of students in each applicable student category for which assessment data is disaggregated under section 120B.35, subdivision 3, paragraph (b), clause (2), and paragraph (c), who achieved low growth, medium growth, or high growth on the statewide reading and mathematics assessments under section 120B.30 in the previous school year;

(3) 15 percent of a school's grade must be determined based on the numbers and percentages of students in each applicable student category for which assessment data is disaggregated under section 120B.35, subdivision 3, paragraph (b), clause (2), and paragraph (c), who achieved low growth and did not achieve proficiency on the statewide reading assessments under section 120B.30 in the previous school year;

(4) ten percent of a school's grade must be determined based on the numbers and percentages of students in each applicable student category for which assessment data is disaggregated under section 120B.35, subdivision 3, paragraph (b), clause (2), and paragraph (c), who achieved low growth and did not achieve proficiency on the statewide mathematics assessments under section 120B.30 in the previous school year; and

(5) using the calculations in clauses (1) to (4), a school district's grade must be determined based on the combined average scores of all district schools.

(b) The grade a school or district receives under this subdivision must accurately reflect the differences in schools' performances based on students' proficiency and growth and the calculations required under this subdivision. A school or district may appeal its grade in writing to the commissioner within 30 days of receiving notice of its grade. The commissioner's decision regarding the grade is final. Grades given under this section are nonpublic data under section 13.02, subdivision 9, until not later than ten days after the appeal under this paragraph is complete.

Subd. 2. **District and charter school recognition.** (a) A school that received a letter grade of "A" in the previous school year, improved at least one letter grade in the previous school year, or improved two or more letter grades in the two previous school years is eligible to receive a school recognition award.

(b) A school recognition award under this subdivision equals \$100 per enrollee for each eligible school. The commissioner must distribute the award to each eligible school.

(c) An eligible school that receives a school recognition award may use the award to:

(1) pay onetime bonuses for licensed staff employed at the school;

(2) pay onetime expenditures for educational equipment or materials to help maintain or improve student academic achievement; or

(3) temporarily employ licensed or otherwise qualified staff to help maintain or improve student academic achievement.

Notwithstanding any other law to the contrary, an award a school receives under this subdivision is not subject to a collective bargaining agreement.

(d) To distribute the award at the school, and consistent with paragraph (c), an eligible school may select a site team that includes at least the school principal or other person having administrative control of the school, teachers employed at the school, the parent of a student enrolled in the school, and a community representative to decide how best to use the award. Alternatively, if by November 1 in the year in which the award is made the site team cannot reach agreement or if no site team is selected, the school principal or other person having administrative control of the school must distribute the award.

EFFECTIVE DATE. This section is effective the day following final enactment and requires the education commissioner to use student performance data beginning in the 2011-2012 school year, determine and report a letter grade for each school and district, and distribute school recognition awards beginning in the 2012-2013 school year and later.

Sec. 6. Minnesota Statutes 2010, section 122A.40, is amended by adding a subdivision to read:

Subd. 3a. **Qualified economic offer.** (a) Notwithstanding any law to the contrary, if a school board offers teachers a biennial contract that includes a percentage increase in total compensation at least equal to the district's biennial percentage increase in basic revenue under section 126C.10, subdivision 2, as measured by the ratio of (1) the most recent estimate of district basic revenue for the biennium that corresponds to the prospective contract term to (2) district basic revenue for the previous biennium; teachers may not strike for any issue relating to total compensation for the years covered by that contract or submit any total compensation issue to interest arbitration under section 179A.16. District fund balances or other revenue sources or allocations are not to be included in any calculation of compensation under this subdivision.

(b) If a school board and teachers do not agree on the allocation of the total compensation offered by the board under paragraph (a) by September 1 of an even-numbered calendar year, the allocation of total compensation among teachers shall be as follows:

(1) existing employee benefits must continue at the same percentage of the total compensation and in the same manner as provided in the teachers' immediately preceding employment contract; and

(2) based on the percentage increase in the general education formula allowance for the biennium for which the contract is in effect, any remaining percentage of the total compensation for the contract period being negotiated, after subtracting the value of clause (1), is for increases in teacher salary based on first, alternative teacher pay plans under section 122A.414; second, the number of years of service; and third, promotion and advanced education.

(c) For purposes of this subdivision, the following terms have the meanings given them.

"Teachers" means classroom teachers licensed under section 122A.18. At a school board's election, teachers also means school administrators licensed under section 122A.14, subdivision 1. A school board that elects to offer school administrators an employment contract under this subdivision must make the offer consistent with section 179A.20 and the provisions of this subdivision. A school board, at its discretion, also may elect to offer any of its nonlicensed employees an employment contract under the terms of this subdivision.

"Total compensation" means the sum of the following cost components: (i) a school district's total salary schedule costs excluding alternative teacher compensation under sections 122A.413 to 122A.415; (ii) a school district's total salary costs of an alternative teacher professional pay system under sections 122A.413 to 122A.415; (iii) total health insurance costs paid by the school district for its teachers, excluding any district contributions to health reimbursement arrangements (HRA) or health savings accounts (HSA) for teachers; (iv) total life insurance costs paid by the school district for its teachers; (v) total long-term disability costs paid by the school district for its teachers; (vi) total dental insurance costs paid by the school district for its teachers; (vii) total extracurricular costs paid to the school district's teachers; (viii) total costs of lane changes on the teachers' salary schedule; (ix) total Teachers Retirement Association costs paid by the school district for its teachers; (x) total Social Security and Medicare (FICA) contribution costs paid by the school district for its teachers; and (xi) other miscellaneous costs identified by the school district as payment for teachers' services or benefits such as special school events, extra service duty, summer school instruction, drivers' education outside the regular school day and school year, and other direct salary payments to teachers or fringe benefit costs paid by the school district for its teachers and not otherwise provided for in items (i) to (x).

EFFECTIVE DATE. This section is effective for contracts ratified beginning July 1, 2011.

Sec. 7. Minnesota Statutes 2010, section 122A.40, subdivision 5, is amended to read:

Subd. 5. **Probationary period.** (a) The first three consecutive years of a teacher's first teaching experience in Minnesota in a single district is deemed to be a probationary period of employment, and after completion thereof, the probationary period in each district in which the teacher is thereafter employed shall be one year. The school board must adopt a plan for written evaluation of teachers during the probationary period that complies with section 122A.411. Evaluation must occur at least three times each year for a teacher performing services on 120 or more school days, at least two times each year for a teacher performing services on 60 to 119 school days, and at least one time each year for a teacher performing services on fewer than 60 school days. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school must not be included in determining the number of school days on which a teacher performs services. Except as otherwise provided in paragraph (b), during the probationary period any annual contract with any teacher may or may not be renewed as the school board shall see fit. However, the board must give any ~~such~~ probationary teacher whose contract it declines to renew for the following school year written notice to that effect before July 1. If the teacher requests reasons for any nonrenewal of a teaching contract, the board must give the teacher its reason in writing, including a statement that appropriate supervision was furnished describing the nature and the extent of such supervision furnished the teacher during the employment by the board, within ten days after receiving such request. The school board may, after a hearing held upon due notice, discharge a teacher during the probationary period for cause, effective immediately, under section 122A.44.

(b) A board must discharge a probationary teacher, effective immediately, upon receipt of notice under section 122A.20, subdivision 1, paragraph (b), that the teacher's license has been revoked due to a conviction for child abuse or sexual abuse.

(c) A probationary teacher whose first three years of consecutive employment are interrupted for active military service and who promptly resumes teaching consistent with federal reemployment timelines for uniformed service personnel under United States Code, title 38, section 4312(e), is considered to have a consecutive teaching experience for purposes of paragraph (a).

(d) A probationary teacher must complete at least 60 days of teaching service each year during the probationary period. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school do not count as days of teaching service under this paragraph.

(e) A district must decide whether to issue a renewable five-year contract to a classroom teacher at the end of the teacher's probationary period based on:

(1) the teacher's appraisal results and performance effectiveness rating under section 122A.411; and

(2) other locally selected criteria aligned to instructional practices in teaching and learning.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 8. Minnesota Statutes 2010, section 122A.40, subdivision 7, is amended to read:

Subd. 7. **Termination of contract after probationary period.** (a) A teacher who has completed a probationary period in any district, and who has not been discharged or advised of a refusal to renew the teacher's contract under subdivision 5, shall ~~elect to~~ have a continuing renewable five-year contract with ~~such the~~ district where contract terms and conditions, including salary and salary increases, are established based either on the length of the school calendar or an extended school calendar under section 120A.415. ~~Thereafter,~~ The teacher's contract must remain in full force and effect, except as modified by mutual consent of the board and the teacher, until terminated by a majority roll call vote of the full membership of the board prior to ~~April 1 upon one of the grounds specified in subdivision 9~~ or July 1 upon one of the grounds specified in subdivision 9, 10 or 11, or until the teacher is discharged pursuant to subdivision 13, or by the written resignation of the teacher submitted prior to April 1. If an agreement as to the terms and conditions of employment for the succeeding school year has not been adopted ~~pursuant to the provisions of under~~ sections 179A.01 to 179A.25 prior to March 1, the teacher's right of resignation is extended to the 30th calendar day following the adoption of ~~said the~~ contract ~~in compliance with under~~ section 179A.20, subdivision 5. ~~Such~~ Written resignation by the teacher is effective ~~as of on~~ June 30 if submitted ~~prior to before~~ that date and the ~~teachers'~~ teacher's right of resignation for the next school year ~~then beginning~~ shall cease on July 15.

(b) Before a teacher's contract is terminated by the board, the board must notify the teacher in writing and state its ~~ground~~ grounds for the proposed termination in reasonable detail together with a statement that the teacher may make a written request for a hearing before the board within 14 calendar days after receipt of ~~such the~~ notification, and it shall be granted within ten calendar days with notice to the teacher of the date set for the hearing, before final action is taken.

If the grounds are those specified in subdivision ~~9~~ or 13, the notice must also state a teacher may request arbitration under subdivision 15. Within 14 calendar days after receipt of ~~this the~~ notification, the teacher may make a written request for a hearing before the board or an arbitrator and it shall be granted ~~upon reasonable~~ within 14 calendar days with notice to the teacher of the date set for hearing or arbitration, before final action is taken. If no hearing or arbitration is requested within ~~such the~~ required time period, it shall be deemed acquiescence by the

teacher to the board's action. ~~Such~~ The teacher's termination under subdivision 9 shall take effect at the close of the school year in which the contract is terminated in the manner aforesaid, and termination discharge under subdivision 13 shall take effect immediately. A board may, however, suspend a teacher with pay pending the conclusion of a hearing or arbitration and determination of the issues raised in the hearing or arbitration after charges have been filed that constitute grounds for discharge. ~~Such~~ A teacher's renewable five-year contract may be terminated at any time by mutual consent of the board and the teacher and this section does not affect the powers of a board to suspend, discharge, or demote a teacher under and pursuant to other provisions of law.

~~(b)~~ (c) A teacher electing to have who has a continuing renewable five-year contract based on the extended school calendar under section 120A.415 must participate in staff development training under subdivision 7a and shall receive an increased base salary.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 9. Minnesota Statutes 2010, section 122A.40, is amended by adding a subdivision to read:

Subd. 7b. **Teacher employment.** (a) A school district must use a teacher appraisal framework to make informed decisions about teacher development and performance. Teachers must participate in ongoing professional development to improve teaching and learning throughout a term of employment.

(b) After completing the initial three-year probationary period without discharge, a teacher who is reemployed by a school board continues in service and holds that position during good behavior and efficient and competent service for a renewable five-year term. The terms and conditions of a teacher's employment contract, including salary and salary increases, must be based either on the length of the school year or an extended school calendar under section 120A.415.

(c) At the end of every five-year term, the school board either must continue or terminate a teacher's employment based on:

(1) the teacher's appraisal results and performance effectiveness rating under section 122A.411; and

(2) other locally selected criteria aligned to instructional practices in teaching and learning.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 10. Minnesota Statutes 2010, section 122A.40, subdivision 9, is amended to read:

Subd. 9. **Grounds for termination.** (a) A continuing renewable five-year contract may be terminated, effective at the close of the school year, upon any of the following grounds:

~~(a)~~ (1) inefficiency;

~~(b)~~ (2) neglect of duty, or persistent violation of school laws, rules, regulations, or directives;

~~(c)~~ (3) conduct unbecoming a teacher which materially impairs the teacher's educational effectiveness;

~~(d)~~ (4) other good and sufficient grounds rendering the teacher unfit to perform the teacher's duties; or

(5) the teacher is ineffective under section 122A.411 and not recommended by the district for continued employment under this section.

~~(b) A contract must not be terminated upon one of the grounds specified in clause under paragraph (a), (b), (c), or (d), clause (1), (2), (3), or (4), unless the teacher fails to correct the deficiency after being given written notice of the specific items of complaint and reasonable time, a written plan to assist the teacher in remedying the specific items of complaint, and for a period not to exceed six months within which to remedy them.~~

For purposes of paragraph (a), clause (5), a teacher must correct the deficiency within 180 days after receiving the notice to remedy the deficiency.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 11. Minnesota Statutes 2010, section 122A.40, subdivision 11, is amended to read:

Subd. 11. **Unrequested leave of absence.** (a) The board may place on unrequested leave of absence, without pay or fringe benefits, as many teachers as may be necessary because of discontinuance of position, lack of pupils, financial limitations, or merger of classes caused by consolidation of districts. The unrequested leave is effective at the close of the school year. In placing teachers on unrequested leave, the superintendent may exempt from the effects of paragraphs (b) to (e) those teachers who, based on the teachers' effectiveness ratings under section 122A.411, are able to provide instruction that similarly licensed teachers cannot provide or whose subject area license meets unmet district needs for student instruction. The board is governed by the following provisions: paragraphs (b) to (j).

~~(a) The board may place probationary teachers on unrequested leave first in the inverse order of their employment. A teacher who has acquired continuing contract rights must not be placed on unrequested leave of absence while probationary teachers are retained in positions for which the teacher who has acquired continuing contract rights is licensed;~~

~~(b) Teachers who have acquired continuing contract rights shall be placed on unrequested leave of absence in fields in which they are licensed in the following order:~~

~~(1) teachers with an "ineffective" rating under section 122A.411 in the inverse order in which they were employed by the school district;~~

~~(2) teachers with a "needs improvement" rating under section 122A.411 in the inverse order in which they were employed by the school district;~~

~~(3) teachers with an "average" rating under section 122A.411 with four or more years of teaching experience in the inverse order in which they were employed by the school district;~~

~~(4) teachers with an "effective" rating under section 122A.411 with fewer than four years of teaching experience in the inverse order in which they were employed by the school district; and~~

~~(5) teachers with a "highly effective" rating under section 122A.411 in the inverse order in which they were employed by the school district.~~

~~In the case of equal seniority, the order in which teachers who have acquired continuing contract rights shall be placed on unrequested leave of absence in fields in which they are licensed is negotiable;~~

~~(c) Notwithstanding the provisions of clause (b), a teacher is not entitled to exercise any seniority when that exercise results in that teacher being retained by the district in a field for which the teacher holds only a provisional license, as defined by the board of teaching, unless that exercise of seniority results in the placement on unrequested leave of absence of another teacher who also holds a provisional license in the same field. The provisions of this clause do not apply to vocational education licenses;~~

~~(d)~~ (c) Notwithstanding ~~clauses (a), paragraph (b) and (c), if the placing of a probationary teacher on unrequested leave before a teacher who has acquired continuing rights, the placing of a teacher who has acquired continuing contract rights on unrequested leave before another teacher who has acquired continuing contract rights but who has greater seniority, or the restriction~~ restrictions imposed by the provisions of ~~clause (c) paragraph (b)~~ would place the district in violation of its affirmative action program, the district may retain the ~~probationary teacher, the teacher with less seniority, or the provisionally licensed teacher; with a lower effectiveness rating or less seniority.~~

~~(e)~~ (d) Teachers placed on unrequested leave of absence must be reinstated to the positions from which they have been given leaves of absence or, if not available, to other available positions in the school district in fields in which they are licensed. Reinstatement must be in the inverse order of placement on leave of absence. ~~A teacher must not be reinstated to a position in a field in which the teacher holds only a provisional license, other than a vocational education license, while another teacher who holds a nonprovisional license in the same field remains on unrequested leave.~~ The order of reinstatement of teachers who have equal seniority and who are placed on unrequested leave in the same school year is negotiable; .

~~(f)~~ (e) Appointment of a new teacher must not be made while there is available, on unrequested leave, a teacher who is properly licensed to fill such vacancy, unless the teacher fails to advise the school board within 30 days of the date of notification that a position is available to that teacher who may return to employment and assume the duties of the position to which appointed on a future date determined by the board; .

~~(g)~~ (f) A teacher placed on unrequested leave of absence may engage in teaching or any other occupation during the period of this leave; .

~~(h)~~ (g) The unrequested leave of absence must not ~~impair the continuing contract rights of a teacher or result in a loss of credit for previous years of service;~~

~~(i)~~ (h) The unrequested leave of absence of a teacher who is placed on unrequested leave of absence and who is not reinstated shall continue ~~for a period of five years~~ until that teacher's contract expires under subdivision 7b, after which the right to reinstatement shall terminate. The teacher's right to reinstatement shall also terminate if the teacher fails to file with the board by April 1 of any year a written statement requesting reinstatement; .

~~(j)~~ (i) The same provisions applicable to terminations of probationary or ~~continuing~~ renewable five-year contracts in subdivisions 5 and 7 must apply to placement on unrequested leave of absence; .

~~(k)~~ (j) Nothing in this subdivision shall be construed to impair the rights of teachers placed on unrequested leave of absence to receive unemployment benefits if otherwise eligible.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 12. Minnesota Statutes 2010, section 122A.40, subdivision 13, is amended to read:

Subd. 13. **Immediate discharge.** (a) Except as otherwise provided in paragraph (b), a board may discharge a ~~continuing contract teacher~~ teacher's renewable five-year contract, effective immediately, upon any of the following grounds:

(1) immoral conduct, insubordination, or conviction of a felony;

(2) conduct unbecoming a teacher which requires the immediate removal of the teacher from the classroom or other duties;

- (3) failure without justifiable cause to teach without first securing the written release of the school board;
- (4) gross inefficiency which the teacher has failed to correct after reasonable written notice;
- (5) willful neglect of duty; ~~or~~
- (6) continuing physical or mental disability subsequent to a ~~12-months~~ 12-month leave of absence and inability to qualify for reinstatement in accordance with subdivision 12; or
- (7) the inability of the board to terminate at the close of the previous school year under subdivision 9.

For purposes of this ~~paragraph~~ subdivision, conduct unbecoming a teacher includes an unfair discriminatory practice described in section 363A.13.

Prior to discharging a teacher under this paragraph, the board must notify the teacher in writing and state its ground for the proposed discharge in reasonable detail. Within ~~ten~~ five days after receipt of this notification the teacher may make a written request for a hearing before the board and it shall be granted before final action is taken. The board may, however, suspend a teacher with pay ~~pending only for the first 60 days of the suspension from regular duty.~~ If the conclusion of such hearing and determination of the issues raised in the hearing after charges have been filed which constitute constitutes ground for discharge, the board may, in its discretion, determine the teacher's salary or compensation at the time of filing charges against the teacher, but must subtract the amount of any payment made to the teacher during the first 60 days of suspension. If the determination of the issues is favorable to the teacher, the board must not abate the teacher's salary or compensation. The hearing must be held within 30 days of the board action proposing discharge, unless otherwise agreed to by both parties.

(b) A board must discharge a ~~continuing contract~~ teacher with a renewable five-year contract, effective immediately, upon receipt of notice under section 122A.20, subdivision 1, paragraph (b), that the teacher's license has been revoked due to a conviction for child abuse or sexual abuse.

EFFECTIVE DATE. This section is effective September 1, 2011, and applies to all discharge actions initiated by the board after that date.

Sec. 13. Minnesota Statutes 2010, section 122A.40, subdivision 15, is amended to read:

Subd. 15. **Hearing and determination by arbitrator.** (a) A teacher whose ~~termination~~ discharge is proposed under subdivision 7 on grounds specified in ~~subdivision 9, or whose discharge is proposed under~~ subdivision 13; may elect ~~a hearing before an arbitrator~~ arbitration instead of a hearing before the school board. The ~~hearing~~ arbitration is governed by this subdivision.

~~(a)~~ (b) The teacher must make a written request for a hearing before an arbitrator within 14 calendar days after receiving notification of proposed termination on grounds specified in subdivision 9 ~~or within ten days of receiving notification of proposed discharge under subdivision 13.~~ The hearing must be held within 30 days of the board action proposing discharge, unless otherwise agreed to by both parties. ~~If a request for a hearing does not specify that the hearing be before an arbitrator, it is considered to be a request for a hearing before the school board.~~

~~(b)~~ (c) If the teacher and the school board are unable to mutually agree on an arbitrator, the board must request from the bureau of mediation services a list of five randomly selected persons to serve as an arbitrator. ~~If the matter to be heard is a proposed termination on grounds specified in subdivision 9, arbitrators on the list must be available to hear the matter and make a decision within a time frame that will allow the board to comply with all statutory timelines relating to termination.~~ If the teacher and the board are unable to mutually agree on an arbitrator from the list provided, the parties shall alternately strike names from the list until the name of one arbitrator remains. The

person remaining after the striking procedure must be the arbitrator. If the parties are unable to agree on who shall strike the first name, the question must be decided by a flip of a coin. The teacher and the school board must share equally the costs and fees of the arbitrator.

(~~e~~) (d) The arbitrator shall determine, by a preponderance of the evidence, whether the grounds for ~~termination~~ or discharge specified in subdivision ~~9~~ or 13 exist to support the proposed ~~termination~~ or discharge. A lesser penalty than ~~termination~~ or discharge may be imposed by the arbitrator only to the extent that ~~either party proposes such~~ both parties agree to a lesser penalty in the proceeding. In making the determination, the arbitration proceeding is governed by sections 572B.15 to 572B.28 and by the collective bargaining agreement applicable to the teacher.

(~~d~~) (e) An arbitration hearing conducted under this subdivision is a meeting for preliminary consideration of allegations or charges within the meaning of section 13D.05, subdivision 3, paragraph (a), and must be closed, unless the teacher requests it to be open.

(~~e~~) (f) The arbitrator's award is final and binding on the parties, subject to sections 572B.18 to 572B.28.

Sec. 14. Minnesota Statutes 2010, section 122A.40, subdivision 16, is amended to read:

Subd. 16. **Decision.** After the hearing or arbitration, the board must issue a written decision and order. ~~If the board orders termination of a continuing contract or discharge of a teacher, and its decision must include findings of fact based upon competent evidence in the record and must be served on the teacher, accompanied by an order of termination or discharge, prior to April 1 in the case of a contract termination for grounds specified in subdivision 9, prior to July 1 for grounds specified in subdivision 10 or 11, or within ten calendar days after conclusion of the hearing in the case of a discharge or receipt of an arbitrator's decision.~~ If the decision of the board or of a reviewing court is favorable to the teacher, the proceedings must be dismissed and the decision entered in the board minutes, and all references to ~~such~~ the proceedings must be excluded from the teacher's record file.

Sec. 15. Minnesota Statutes 2010, section 122A.41, subdivision 2, is amended to read:

Subd. 2. **Probationary period; discharge or demotion.** (a) All teachers in the public schools in cities of the first class during the first three years of consecutive employment shall be deemed to be in a probationary period of employment during which period any annual contract with any teacher may, or may not, be renewed as the school board, ~~after consulting with the peer review committee charged with evaluating the probationary teachers under subdivision 3,~~ shall see fit. The school ~~site management team or the school board if there is no school site management team,~~ shall adopt a plan for a written evaluation of teachers during the probationary period ~~according to subdivision 3 that is consistent with section 122A.411.~~ Evaluation ~~by the peer review committee charged with evaluating of~~ probationary teachers ~~under subdivision 3~~ shall occur at least three times each year for a teacher performing services on 120 or more school days, at least two times each year for a teacher performing services on 60 to 119 school days, and at least one time each year for a teacher performing services on fewer than 60 school days. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school shall not be included in determining the number of school days on which a teacher performs services. The school board may, during such probationary period, discharge or demote a teacher for any of the causes as specified in this code. A written statement of the cause of such discharge or demotion shall be given to the teacher by the school board at least 30 days before such removal or demotion shall become effective, and the teacher so notified shall have no right of appeal therefrom.

(b) A probationary teacher whose first three years of consecutive employment are interrupted for active military service and who promptly resumes teaching consistent with federal reemployment timelines for uniformed service personnel under United States Code, title 38, section 4312(e), is considered to have a consecutive teaching experience for purposes of paragraph (a).

(c) A probationary teacher must complete at least 60 days of teaching service each year during the probationary period. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school do not count as days of teaching service under this paragraph.

(d) A district must decide whether to issue a renewable five-year contract to a classroom teacher at the end of the teacher's probationary period based on:

(1) the teacher's appraisal results and performance effectiveness rating under section 122A.411; and

(2) other locally selected criteria aligned to instructional practices in teaching and learning.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 16. Minnesota Statutes 2010, section 122A.41, is amended by adding a subdivision to read:

Subd. 2a. **Qualified economic offer.** (a) Notwithstanding any law to the contrary, if a school board offers teachers a biennial contract that includes a percentage increase in total compensation at least equal to the district's biennial percentage increase in basic revenue under section 126C.10, subdivision 2, as measured by the ratio of (1) the most recent estimate of district basic revenue for the biennium that corresponds to the prospective contract term to (2) district basic revenue for the previous biennium; teachers may not strike for any issue relating to total compensation for the years covered by that contract or submit any total compensation issue to interest arbitration under section 179A.16. District fund balances or other revenue sources or allocations are not to be included in any calculation of compensation under this subdivision.

(b) If a school board and teachers do not agree on the allocation of the total compensation offered by the board under paragraph (a) by September 1 of an even-numbered calendar year, the allocation of total compensation among teachers shall be as follows:

(1) existing employee benefits must continue at the same percentage of the total compensation and in the same manner as provided in the teachers' immediately preceding employment contract; and

(2) based on the percentage increase in the general education formula allowance for the biennium for which the contract is in effect, any remaining percentage of the total compensation for the contract period being negotiated, after subtracting the value of clause (1), is for increases in teacher salary based on first, alternative teacher pay plans under section 122A.414; second, the number of years of service; and third, promotion and advanced education.

(c) For the purposes of this subdivision, the following terms have the meanings given them.

"Teachers" means classroom teachers licensed under section 122A.18. At a school board's election, teachers also means school administrators licensed under section 122A.14, subdivision 1. A school board that elects to offer school administrators an employment contract under this subdivision must make the offer consistent with section 179A.20 and the provisions of this subdivision. A school board, at its discretion, also may elect to offer any of its nonlicensed employees an employment contract under the terms of this subdivision.

"Total compensation" means the sum of the following cost components: (i) a school district's total salary schedule costs excluding alternative teacher compensation under sections 122A.413 to 122A.415; (ii) a school district's total salary costs of an alternative teacher professional pay system under sections 122A.413 to 122A.415; (iii) total health insurance costs paid by the school district for its teachers, excluding any district contributions to health reimbursement arrangements (HRA) or health savings accounts (HSA) for teachers; (iv) total life insurance costs paid by the school district for its teachers; (v) total long-term disability costs paid by the school district for its teachers; (vi) total dental insurance costs paid by the school district for its teachers; (vii) total extracurricular costs

paid to the school district's teachers; (viii) total costs of lane changes on the teachers' salary schedule; (ix) total Teachers Retirement Association costs paid by the school district for its teachers; (x) total Social Security and Medicare (FICA) contribution costs paid by the school district for its teachers; and (xi) other miscellaneous costs identified by the school district as payment for teachers' services or benefits such as special school events, extra service duty, summer school instruction, drivers' education outside the regular school day and school year, and other direct salary payments to teachers or fringe benefit costs paid by the school district for its teachers and not otherwise provided for in items (i) to (x).

EFFECTIVE DATE. This section is effective for contracts ratified beginning July 1, 2011.

Sec. 17. Minnesota Statutes 2010, section 122A.41, subdivision 4, is amended to read:

Subd. 4. ~~Period of service after probationary period; discharge or demotion~~ **Teacher employment.** (a) A school district must use a teacher appraisal framework to make informed decisions about teacher development and performance. Teachers must participate in ongoing professional development to improve teaching and learning throughout a term of employment.

(b) ~~After the completion of such~~ completing the initial three-year probationary period, without discharge, ~~such teachers as are thereupon~~ a teacher who is reemployed shall continue in service and hold ~~their respective~~ that position during good behavior and efficient and competent service for a renewable five-year term and must not be discharged or demoted except for cause after a hearing. The terms and conditions of a teacher's employment contract, including salary and salary increases, must be based either on the length of the school year or an extended school calendar under section 120A.415.

~~(b)~~ (c) A probationary teacher is deemed to have ~~been~~ reemployed for the ensuing school year, unless the school board in charge of such school gave such teacher notice in writing before July 1 of the termination of such employment.

~~(e)~~ (d) A teacher ~~electing to have~~ who has an employment contract based on the extended school calendar under section 120A.415 must participate in staff development training under subdivision 4a and shall receive an increased base salary.

(e) At the end of every five-year term, the school board must either continue or terminate a teacher's employment based on:

(1) the teacher's appraisal results and performance effectiveness rating under section 122A.411; and

(2) other locally selected criteria aligned to instructional practices in teaching and learning.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 18. Minnesota Statutes 2010, section 122A.41, subdivision 6, is amended to read:

Subd. 6. **Grounds for discharge or demotion.** (a) Except as otherwise provided in paragraph (b), causes for the discharge or demotion of a teacher either during or after the probationary period must be:

(1) immoral character, conduct unbecoming a teacher, or insubordination;

(2) failure without justifiable cause to teach without first securing the written release of the school board having the care, management, or control of the school in which the teacher is employed;

(3) inefficiency in teaching or in the management of a school;

(4) affliction with active tuberculosis or other communicable disease must be considered as cause for removal or suspension while the teacher is suffering from such disability; ~~or~~

(5) discontinuance of position or lack of pupils; or

(6) the teacher is ineffective under section 122A.411 and not recommended by the district for employment under this section.

For purposes of this paragraph, conduct unbecoming a teacher includes an unfair discriminatory practice described in section 363A.13. A contract must not be discharged on the grounds specified in clause (6) unless the teacher fails to correct the deficiency after being given written notice of the specific items of complaint and 180 days within which to remedy them.

(b) A probationary ~~or continuing contract~~ teacher or a teacher who has a renewable five-year contract must be discharged immediately upon receipt of notice under section 122A.20, subdivision 1, paragraph (b), that the teacher's license has been revoked due to a conviction for child abuse or sexual abuse.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 19. Minnesota Statutes 2010, section 122A.41, subdivision 14, is amended to read:

Subd. 14. **Services terminated by discontinuance or lack of pupils; preference given.** ~~(a)~~ A teacher whose services are terminated on account of discontinuance of position or lack of pupils must receive first consideration for other positions in the district for which that teacher is qualified. In the event it becomes necessary to discontinue one or more positions, in making such discontinuance, teachers must be discontinued in any department in the following order:

~~inverse order in which they were employed, unless a board and the exclusive representative of teachers in the district negotiate a plan providing otherwise.~~

~~(b) Notwithstanding the provisions of clause (a), a teacher is not entitled to exercise any seniority when that exercise results in that teacher being retained by the district in a field for which the teacher holds only a provisional license, as defined by the Board of Teaching, unless that exercise of seniority results in the termination of services, on account of discontinuance of position or lack of pupils, of another teacher who also holds a provisional license in the same field. The provisions of this clause do not apply to vocational education licenses.~~

~~(c) Notwithstanding the provisions of clause (a), a teacher must not be reinstated to a position in a field in which the teacher holds only a provisional license, other than a vocational education license, while another teacher who holds a nonprovisional license in the same field is available for reinstatement.~~

(1) teachers with an "ineffective" rating under section 122A.411 in the inverse order in which they were employed by the school district;

(2) teachers with a "needs improvement" rating under section 122A.411 in the inverse order in which they were employed by the school district;

(3) teachers with an "average" rating under section 122A.411 with four or more years of teaching experience in the inverse order in which they were employed by the school district;

(4) teachers with an "effective" rating under section 122A.411 with fewer than four years of teaching experience in the inverse order in which they were employed by the school district; and

(5) teachers with a "highly effective" rating under section 122A.411 in the inverse order in which they were employed by the school district.

The superintendent may exempt from the effects of this subdivision those teachers who, based on the teachers' effectiveness rating under section 122A.411, are able to provide instruction that similarly licensed teachers cannot provide or whose subject area license meets unmet district needs for student instruction.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 20. **[122A.411] TEACHER EVALUATIONS.**

Subdivision 1. **Evaluation structure.** A teacher evaluation structure is established to provide information about teacher effectiveness for teachers under section 122A.06, subdivision 2, districts, and charter schools to use in developing and improving teacher performance and student learning. The two-part structure contains:

(1) a teacher appraisal framework that identifies performance measures for determining teacher effectiveness; and

(2) a mechanism for translating the performance data into a five-part teacher effectiveness rating scale.

Subd. 2. **Teacher appraisal framework.** (a) Each school district and charter school must create and implement a teacher appraisal framework. The framework must translate performance measures and scores under this subdivision into five performance effectiveness rating scores where "5" is the highest rating and "1" is the lowest rating. The framework must be designed to give an effectiveness rating score that has 50 percent based on assessment results under paragraph (b), (c), or (d), and 50 percent based on district criteria under paragraph (e). The department, in collaboration with the Board of Teaching, must make available to districts and charter schools appraisal frameworks and other materials from evidence-based sources to assist districts and charter schools in implementing an appraisal framework, consistent with this section.

(b) If statewide assessment results are available under section 120B.35, these results are the basis for 50 percent of a teacher's total appraisal.

(c) If statewide assessment results are unavailable, 50 percent of a teacher's total appraisal must consist of results from districtwide assessments of state and local standards.

(d) If no districtwide assessment results are available, 50 percent of a teacher's total appraisal must consist of teacher-developed and administrator-approved assessments of state and local standards. A school administrator shall meet with teachers at least annually under this paragraph to review, modify if needed, and approve local course and grade-level expectations for student achievement and growth.

(e) A charter school or a school board, in consultation with its teachers, must identify the performance measures used as a basis for the other 50 percent of a teacher's total appraisal under this subdivision. The appraisal must include data from parent surveys and at least one annual evaluation performed by a trained school administrator or an administrator's trained designee. Other performance measures may include student surveys, peer observations and review, teacher performance portfolios, video classroom observations with teacher reflection after viewing videos, measures approved as part of an educational improvement plan under section 122A.413, and other highly reliable research-based measures.

Subd. 3. **Teacher performance effectiveness ratings.** (a) Beginning in the 2012-2013 school year and consistent with subdivision 2, a school district or charter school annually must use the following scale to determine a teacher performance effectiveness rating for each teacher who teaches a subject for which statewide assessment results are available under section 120B.35:

(1) a teacher is "highly effective" if the teacher's appraisal shows that the teacher's students, on average, achieved one and one-half or more years of growth on statewide assessments and the teacher received a "5" performance rating under the district or charter school appraisal framework;

(2) a teacher is "effective" if the teacher's appraisal shows that the teacher's students, on average, achieved at least one year of growth on statewide assessments and the teacher received a "4" performance rating under the district or charter school appraisal framework;

(3) a teacher is "average" if the teacher's appraisal shows that the teacher's students, on average, achieved at least 0.9 years of growth on statewide student assessments and the teacher received a "3" performance rating under the district or charter school appraisal framework;

(4) a teacher "needs improvement" if the teacher's appraisal shows that the teacher's students, on average, achieved between 0.5 and 0.9 years of growth on statewide assessments or the teacher received a "2" or lower performance rating under the district or charter school appraisal framework; and

(5) a teacher is "ineffective" if the teacher's appraisal shows that the teacher's students, on average, achieved less than one-half year of growth on statewide assessments and the teacher received a "1" performance rating under the district or charter school appraisal framework.

A teacher who does not meet both the growth and performance rating requirements in any of clauses (1) to (4) receives the next lower effectiveness rating that immediately follows the clause where the teacher met either the growth or the performance rating requirement.

(b) Beginning in the 2012-2013 school year and consistent with subdivision 2, a school district or charter school annually must use a teacher performance effectiveness rating scale developed under this paragraph for each teacher who teaches a subject for which no statewide assessment data exist. The district or charter school, in consultation with its teachers, must define low, medium, and high academic growth and progress toward grade-level proficiency for purposes of establishing teacher performance effectiveness ratings so that a teacher is rated:

(1) "highly effective" if the teacher receives a "5" performance rating under the district or charter school appraisal framework;

(2) "effective" if the teacher receives a "4" performance rating under the district or charter school appraisal framework;

(3) "average" if the teacher receives a "3" performance rating under the district or charter school appraisal framework;

(4) "needs improvement" if the teacher receives a "2" performance rating under the district or charter school appraisal framework; and

(5) "ineffective" if the teacher receives a "1" performance rating under the district or charter school appraisal framework.

(c) A teacher, other than a probationary teacher, who receives a highly effective or effective performance rating under this subdivision is not subject to an appraisal under subdivision 2, paragraph (e), in the next year after the teacher receives that rating.

Subd. 4. **Data gathering and analysis.** (a) Beginning in the 2012-2013 school year, the department, in consultation with the Board of Teaching, shall assist a school district or charter school in collecting and aggregating student data needed to implement subdivisions 2 and 3. If the school district or charter school and the department agree that an ongoing need exists for department assistance, the district or charter school and the department shall enter into a data-sharing agreement. Any data on individual students or teachers received, collected, or created that are used to generate summary data under this section are nonpublic data under chapter 13.

(b) Beginning in 2014, the department annually by June 30 shall submit summary data on teachers' effectiveness under paragraph (a) to the Minnesota teacher preparation program or institution that prepared the teachers covered in that year's district and charter school reports to the department.

Subd. 5. **Reports.** (a) Beginning in the 2012-2013 school year, each school district and charter school annually shall report to the department by July 15 the following information about the school year just completed:

(1) each teacher's performance effectiveness rating determined under both subdivision 2, paragraph (b), (c), or (d), and subdivision 3, paragraph (a) or (b);

(2) each teacher's professional preparation program;

(3) its appraisal framework; and

(4) its graduation rate.

(b) Beginning in 2014, the department annually by February 15 shall submit a report to the committees of the legislature with primary jurisdiction over kindergarten through grade 12 education policy and finance that analyzes and evaluates summary data generated under paragraph (a) to determine the effectiveness of teacher appraisal systems in improving teaching and learning.

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

Sec. 21. [122A.4111] ADVISORY TASK FORCE ON IMPLEMENTING A TEACHER EVALUATION STRUCTURE.

(a) Consistent with section 122A.411 and related sections, the commissioner shall, by July 15, 2011, convene a 19-member advisory task force to recommend how to fully and effectively implement the state's teacher appraisal framework and teacher evaluation process. Task force members shall include:

(1) one representative appointed by the Minnesota Chamber of Commerce;

(2) one representative appointed by the Minnesota Business Partnership;

(3) one representative appointed by the Minnesota Assessment Group;

(4) one representative appointed by the Minnesota Association of School Administrators;

(5) one representative appointed by the Minnesota School Boards Association;

(6) one representative representing the Minnesota Elementary and Secondary School Principals Associations, appointed jointly by those two organizations;

(7) two representatives from Education Minnesota, one of whom must be a currently licensed classroom teacher teaching in a first class city school district, appointed by Education Minnesota;

(8) two parents of students currently enrolled in Minnesota public schools, one of whom must be a parent of color, appointed by the Minnesota Parent Teacher Organization; and

(9) three appointments each by the speaker of the house, the senate Subcommittee on Committees of the Committee on Rules and Administration, and the commissioner of qualified and recognized experts in teacher evaluation and assessment who alone shall serve six-year terms.

(b) The commissioner or the commissioner's designee shall serve as a nonvoting member of the task force and shall provide technical assistance to the task force upon request. The terms, compensation, and removal of advisory task force members shall be as provided in section 15.059, except that the task force shall continue until it is specifically terminated by the legislature and operate as otherwise specified under this section. The commissioner may reimburse task force members from the department's current operating budget but may not compensate task force members for task force activities. The task force annually must:

(1) recommend changes needed to more effectively implement the teacher appraisal framework and teacher evaluation process under section 122A.411, including statutory changes needed to accomplish its recommendations; and

(2) report its recommendations to the education policy and finance committees of the legislature by February 15.

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

Sec. 22. Minnesota Statutes 2010, section 122A.414, subdivision 1a, is amended to read:

Subd. 1a. **Transitional planning year.** ~~(a)~~ To be eligible to participate in an alternative teacher professional pay system, a school district, intermediate school district, ~~or site,~~ or charter school must, at least one school year before it expects to fully implement an alternative pay system, ~~must:~~

~~(1) submit to the department a letter of intent executed by the school district or intermediate school district and the exclusive representative of the teachers to complete a plan preparing for full implementation, begin to develop an alternative teacher pay plan,~~ consistent with subdivision 2, that may include, among other activities, training to evaluate teacher performance, a restructured school day to develop integrated ongoing site-based professional development activities, release time to develop an alternative pay system agreement, and teacher and staff training on using multiple data sources; ~~and,~~

~~(2) agree to use up to two percent of basic revenue for staff development purposes, consistent with sections 122A.60 and 122A.61, to develop the alternative teacher professional pay system agreement under this section.~~

~~(b) To be eligible to participate in an alternative teacher professional pay system, a charter school, at least one school year before it expects to fully implement an alternative pay system, must:~~

~~(1) submit to the department a letter of intent executed by the charter school and the charter school board of directors;~~

~~(2) submit the record of a formal vote by the teachers employed at the charter school indicating at least 70 percent of all teachers agree to implement the alternative pay system; and~~

~~(3) agree to use up to two percent of basic revenue for staff development purposes, consistent with sections 122A.60 and 122A.61, to develop the alternative teacher professional pay system.~~

~~(e) The commissioner may waive the planning year if the commissioner determines, based on the criteria under subdivision 2, that the school district, intermediate school district, site or charter school is ready to fully implement an alternative pay system.~~

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

Sec. 23. Minnesota Statutes 2010, section 122A.414, subdivision 2, is amended to read:

Subd. 2. **Alternative teacher professional pay system.** (a) To participate in this program, a school district, intermediate school district, school site, or charter school must have an educational improvement plan under section 122A.413 and an alternative teacher professional pay system agreement under paragraph (b). A charter school participant also must comply with subdivision 2a.

(b) The alternative teacher professional pay system agreement must:

(1) describe how teachers can achieve career advancement and additional compensation;

(2) describe how the school district, intermediate school district, school site, or charter school will provide teachers with career advancement options that allow teachers to retain primary roles in student instruction and facilitate site-focused professional development that helps other teachers improve their skills;

(3) reform the "steps and lanes" salary schedule, prevent any teacher's compensation paid before implementing the pay system from being reduced as a result of participating in this system, and base at least 60 percent of any compensation increase on teacher performance using:

~~(i) schoolwide student achievement gains under section 120B.35 or locally selected standardized assessment outcomes, or both;~~

~~(ii) measures of student achievement; and~~

~~(iii) an objective evaluation program that includes:~~

~~(A) individual teacher evaluations aligned with the educational improvement plan under section 122A.413 and the staff development plan under section 122A.60; and~~

~~(B) objective evaluations using multiple criteria conducted by a locally selected and periodically trained evaluation team that understands teaching and learning the evaluation structure in section 122A.411;~~

(4) provide integrated ongoing site-based professional development activities to improve instructional skills and learning that are aligned with student needs under section 122A.413, consistent with the staff development plan under section 122A.60 and led during the school day by trained teacher leaders such as master or mentor teachers;

(5) allow any teacher in a participating school district, intermediate school district, school site, or charter school that implements an alternative pay system to participate in that system without any quota or other limit; and

(6) encourage collaboration rather than competition among teachers.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 24. Minnesota Statutes 2010, section 122A.414, subdivision 2a, is amended to read:

Subd. 2a. **Charter school applications.** For charter school applications, the board of directors of a charter school that satisfies the conditions under subdivisions 2 and 2b must submit to the commissioner an application that contains:

(1) an agreement to implement an alternative teacher professional pay system under this section; and

(2) a resolution by the charter school board of directors adopting the agreement; ~~and,~~

~~(3) the record of a formal vote by the teachers employed at the charter school indicating that at least 70 percent of all teachers agree to implement the alternative teacher professional pay system, unless the charter school submits an alternative teacher professional pay system agreement under this section before the first year of operation.~~

Alternative compensation revenue for a qualifying charter school must be calculated under section 126C.10, subdivision 34, paragraphs (a) and (b).

EFFECTIVE DATE. This section is effective June 1, 2013, and applies to any new plan that the commissioner approves or any approved plan that is modified after that date.

Sec. 25. Minnesota Statutes 2010, section 122A.414, subdivision 2b, is amended to read:

Subd. 2b. **Approval process.** (a) Consistent with the requirements of this section and sections 122A.413 and 122A.415, the department must prepare and transmit to interested school districts, intermediate school districts, school sites, and charter schools a standard form for applying to participate in the alternative teacher professional pay system. The commissioner annually must establish at least three dates as deadlines by which interested applicants must submit an application to the commissioner under this section. An interested school district, intermediate school district, school site, or charter school must submit to the commissioner a completed application executed by the district superintendent and the exclusive bargaining representative of the teachers if the applicant is a school district, intermediate school district, or school site, or executed by the charter school board of directors if the applicant is a charter school. The application must include the proposed alternative teacher professional pay system agreement under subdivision 2. The department must review a completed application within 30 business days of the most recent application deadline and recommend to the commissioner whether to approve or disapprove the application. The commissioner must approve applications on a first-come, first-served basis. The applicant's alternative teacher professional pay system agreement must be legally binding on the applicant and the collective bargaining representative before the applicant receives alternative compensation revenue. The commissioner must approve or disapprove an application based on the requirements under subdivisions 2 and 2a.

(b) If the commissioner disapproves an application, the commissioner must give the applicant timely notice of the specific reasons in detail for disapproving the application. The applicant may revise and resubmit its application and related documents to the commissioner within 30 business days of receiving notice of the commissioner's disapproval and the commissioner must approve or disapprove the revised application, consistent with this subdivision. Applications that are revised and then approved are considered submitted on the date the applicant initially submitted the application.

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

Sec. 26. Minnesota Statutes 2010, section 122A.60, subdivision 1a, is amended to read:

Subd. 1a. **Effective staff development activities.** ~~(a) A school district must have~~ staff development activities ~~must—~~that are aligned with district and school site staff development plans, based on student achievement and growth data, and focused on student learning goals.

- ~~(1) focus on the school classroom and research-based strategies that improve student learning;~~
- ~~(2) provide opportunities for teachers to practice and improve their instructional skills over time;~~
- ~~(3) provide opportunities for teachers to use student data as part of their daily work to increase student achievement;~~
- ~~(4) enhance teacher content knowledge and instructional skills;~~
- ~~(5) align with state and local academic standards;~~
- ~~(6) provide opportunities to build professional relationships, foster collaboration among principals and staff who provide instruction, and provide opportunities for teacher to teacher mentoring; and~~
- ~~(7) align with the plan of the district or site for an alternative teacher professional pay system.~~

~~Staff development activities may include curriculum development and curriculum training programs, and activities that provide teachers and other members of site based teams training to enhance team performance. The school district also may implement other staff development activities required by law and activities associated with professional teacher compensation models.~~

~~(b) Release time provided for teachers to supervise students on field trips and school activities, or independent tasks not associated with enhancing the teacher's knowledge and instructional skills, such as preparing report cards, calculating grades, or organizing classroom materials, may not be counted as staff development time that is financed with staff development reserved revenue under section 122A.61.~~

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 27. **[122A.73] SCHOOL ADMINISTRATOR DEVELOPMENT.**

A school board and the school administrators in a district must collaboratively establish a professional development model for school administrators that uses the district's professional development resources and plans, including those under sections 122A.414, if applicable, and 122A.60. The model must be designed to improve teaching and learning by supporting administrators in shaping the school's professional environment and developing teacher quality, performance, and effectiveness. The model must, at a minimum:

- (1) support and improve administrators' instructional leadership and organizational, management, and professional development; and strengthen their capacity in instruction and supervision and in teacher evaluation and development under section 122A.411;
- (2) provide professional development that emphasizes improved teaching and learning, curriculum and instruction, student learning, and a collaborative professional culture;
- (3) make appropriate recommendations for administrators to participate in development opportunities, including the Principals' Leadership Institute under section 122A.74 and other statewide development programs that support administrators' leadership behaviors and practices, rigorous curriculum, school performance, and high quality instruction; and

(4) use formative and summative assessments, on-the-job evaluations, surveys, and longitudinal data on student academic growth as evaluation components; and provide professional development opportunities targeted at identifying systemic strengths and weaknesses and administrators' strengths and weaknesses in exercising leadership in pursuit of school success.

The provisions of this section are intended to provide districts with sufficient flexibility to accommodate district needs and goals, consistent with section 122A.411.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 28. Minnesota Statutes 2010, section 123B.02, subdivision 15, is amended to read:

Subd. 15. **Annuity contract; payroll allocation.** (a) At the request of an employee and as part of the employee's compensation arrangement, the board may purchase an individual annuity contract for an employee for retirement or other purposes and may make payroll allocations in accordance with such arrangement for the purpose of paying the entire premium due and to become due under such contract. The allocation must be made in a manner which will qualify the annuity premiums, or a portion thereof, for the benefit afforded under section 403(b) of the current Federal Internal Revenue Code or any equivalent provision of subsequent federal income tax law. The employee shall own such contract and the employee's rights under the contract shall be nonforfeitable except for failure to pay premiums. Section 122A.40 shall not be applicable hereto and the board shall have no liability thereunder because of its purchase of any individual annuity contracts. This statute shall be applied in a nondiscriminatory manner to employees of the school district. The school board of a school district shall determine the identity and number of the available vendors under federal Internal Revenue Code, section 403(b) is a term and condition of employment under section 179A.03.

(b) When considering vendors under paragraph (a), the school district ~~and the exclusive representative of the employees~~ shall consider all of the following:

(1) the vendor's ability to comply with all employer requirements imposed by section 403(b) of the Internal Revenue Code of 1986 and its subsequent amendments, other provisions of the Internal Revenue Code of 1986 that apply to section 403(b) of the Internal Revenue Code, and any regulation adopted in relation to these laws;

(2) the vendor's experience in providing 403(b) plans;

(3) the vendor's potential effectiveness in providing client services attendant to its plan and in relation to cost;

(4) the nature and extent of rights and benefits offered under the vendor's plan;

(5) the suitability of the rights and benefits offered under the vendor's plan;

(6) the vendor's ability to provide the rights and benefits offered under its plan; and

(7) the vendor's financial stability.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 29. Minnesota Statutes 2010, section 123B.09, subdivision 8, is amended to read:

Subd. 8. **Duties.** The board must superintend and manage the schools of the district; adopt rules for their organization, government, and instruction; keep registers; and prescribe textbooks and courses of study. The board may enter into an agreement with a postsecondary institution for secondary or postsecondary nonsectarian courses to be taught at a secondary school, nonsectarian postsecondary institution, or another location.

Consistent with section 122A.40, subdivision 10, or 122A.41, subdivision 14, as applicable, the board must not enter into an agreement that limits a district superintendent's ability to assign and reassign teachers to the schools in which the teachers will teach to best meet student and school needs as determined by the superintendent.

Sec. 30. Minnesota Statutes 2010, section 123B.143, subdivision 1, is amended to read:

Subdivision 1. **Contract; duties.** All districts maintaining a classified secondary school must employ a superintendent who shall be an ex officio nonvoting member of the school board. The authority for selection and employment of a superintendent must be vested in the board in all cases. An individual employed by a board as a superintendent shall have an initial employment contract for a period of time no longer than three years from the date of employment. Any subsequent employment contract must not exceed a period of three years. A board, at its discretion, may or may not renew an employment contract. A board must not, by action or inaction, extend the duration of an existing employment contract. Beginning 365 days prior to the expiration date of an existing employment contract, a board may negotiate and enter into a subsequent employment contract to take effect upon the expiration of the existing contract. A subsequent contract must be contingent upon the employee completing the terms of an existing contract. If a contract between a board and a superintendent is terminated prior to the date specified in the contract, the board may not enter into another superintendent contract with that same individual that has a term that extends beyond the date specified in the terminated contract. A board may terminate a superintendent during the term of an employment contract for any of the grounds specified in section 122A.40, subdivision 9 or 13. A superintendent shall not rely upon an employment contract with a board to assert any other continuing contract rights in the position of superintendent under section 122A.40. Notwithstanding the provisions of sections 122A.40, subdivision 10 or 11, 123A.32, 123A.75, or any other law to the contrary, no individual shall have a right to employment as a superintendent based on order of employment in any district. If two or more districts enter into an agreement for the purchase or sharing of the services of a superintendent, the contracting districts have the absolute right to select one of the individuals employed to serve as superintendent in one of the contracting districts and no individual has a right to employment as the superintendent to provide all or part of the services based on order of employment in a contracting district. The superintendent of a district shall perform the following:

(1) visit and supervise the schools in the district, report and make recommendations about their condition when advisable or on request by the board;

(2) recommend to the board employment and dismissal of teachers;

(3) annually evaluate each school principal assigned responsibility for supervising a school building within the district, consistent with section 122A.73;

(4) superintend school grading practices and examinations for promotions;

(4) ~~(5)~~ make reports required by the commissioner; and

(5) ~~(6)~~ perform other duties prescribed by the board.

EFFECTIVE DATE. This section is effective for the 2013-2014 school year and later.

Sec. 31. Minnesota Statutes 2010, section 123B.88, is amended by adding a subdivision to read:

Subd. 1a. **Full-service school zones.** The board may establish a full-service school zone by adopting a written resolution and may provide transportation for students attending a school in that full-service school zone. A full-service school zone may be established for a school that is located in an area with higher than average crime or other social and economic challenges and that provides education, health or human services, or other parental support in collaboration with a city, county, state, or nonprofit agency. The pupil transportation must be intended to stabilize enrollment and reduce mobility at the school located in a full-service school zone.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 32. Minnesota Statutes 2010, section 123B.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 125A.76, the terms defined in this subdivision have the meanings given to them.

(a) "Actual expenditure per pupil transported in the regular and excess transportation categories" means the quotient obtained by dividing:

(1) the sum of:

(i) all expenditures for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2), plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 15 percent per year for districts operating a program under section 124D.128 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on the district's type III vehicles, as defined in section 169.011, subdivision 71, which must be used a majority of the time for pupil transportation purposes, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses by:

(2) the number of pupils eligible for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2).

(b) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is:

(i) transportation to and from school during the regular school year for resident elementary pupils residing one mile or more from the public or nonpublic school they attend, and resident secondary pupils residing two miles or more from the public or nonpublic school they attend, excluding desegregation transportation and noon kindergarten transportation; but with respect to transportation of pupils to and from nonpublic schools, only to the extent permitted by sections 123B.84 to 123B.87;

(ii) transportation of resident pupils to and from language immersion programs;

(iii) transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school;

(iv) transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; and

(v) transportation to and from school during the regular school year required under subdivision 3 for nonresident elementary pupils when the distance from the attendance area border to the public school is one mile or more, and for nonresident secondary pupils when the distance from the attendance area border to the public school is two miles or more, excluding desegregation transportation and noon kindergarten transportation.

For the purposes of this paragraph, a district may designate a licensed day care facility, school day care facility, respite care facility, the residence of a relative, or the residence of a person or other location chosen by the pupil's parent or guardian, or an after-school program for children operated by a political subdivision of the state, as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian, and if that facility, residence, or program is within the attendance area of the school the pupil attends.

(2) Excess transportation is:

(i) transportation to and from school during the regular school year for resident secondary pupils residing at least one mile but less than two miles from the public or nonpublic school they attend, and transportation to and from school for resident pupils residing less than one mile from school who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards; and

(ii) transportation to and from school during the regular school year required under subdivision 3 for nonresident secondary pupils when the distance from the attendance area border to the school is at least one mile but less than two miles from the public school they attend, and for nonresident pupils when the distance from the attendance area border to the school is less than one mile from the school and who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards.

(3) Desegregation transportation is transportation within and outside of the district during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the commissioner or under court order.

(4) "Transportation services for pupils with disabilities" is:

(i) transportation of pupils with disabilities who cannot be transported on a regular school bus between home or a respite care facility and school;

(ii) necessary transportation of pupils with disabilities from home or from school to other buildings, including centers such as developmental achievement centers, hospitals, and treatment centers where special instruction or services required by sections 125A.03 to 125A.24, 125A.26 to 125A.48, and 125A.65 are provided, within or outside the district where services are provided;

(iii) necessary transportation for resident pupils with disabilities required by sections 125A.12, and 125A.26 to 125A.48;

(iv) board and lodging for pupils with disabilities in a district maintaining special classes;

(v) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, and necessary transportation required by sections 125A.18, and 125A.26 to 125A.48, for resident pupils with disabilities who are provided special instruction and services on a shared-time basis or if resident pupils are not transported, the costs of necessary travel between public and private schools or neutral instructional sites by essential personnel employed by the district's program for children with a disability;

(vi) transportation for resident pupils with disabilities to and from board and lodging facilities when the pupil is boarded and lodged for educational purposes; and

(vii) services described in clauses (i) to (vi), when provided for pupils with disabilities in conjunction with a summer instructional program that relates to the pupil's individual education plan or in conjunction with a learning year program established under section 124D.128.

For purposes of computing special education initial aid under section 125A.76, subdivision 2, the cost of providing transportation for children with disabilities includes (A) the additional cost of transporting a homeless student from a temporary nonshelter home in another district to the school of origin, or a formerly homeless student from a permanent home in another district to the school of origin but only through the end of the academic year; and (B) depreciation on district-owned school buses purchased after July 1, 2005, and used primarily for transportation of pupils with disabilities, calculated according to paragraph (a), clauses (ii) and (iii). Depreciation costs included in the disabled transportation category must be excluded in calculating the actual expenditure per pupil transported in the regular and excess transportation categories according to paragraph (a).

(5) "Nonpublic nonregular transportation" is:

(i) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, excluding transportation for nonpublic pupils with disabilities under clause (4);

(ii) transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123B.44; and

(iii) late transportation home from school or between schools within a district for nonpublic school pupils involved in after-school activities.

(c) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123B.41, subdivision 13.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 33. **[124D.031] ENROLLMENT OPTIONS FOR STUDENTS AT LOW-PERFORMING PUBLIC SCHOOLS.**

Subdivision 1. Student enrollment options. (a) A student who attends a persistently low-performing school located in a city of the first class for at least one school year and whose family income is equal to or less than 175 percent of the federal poverty level is eligible to enroll in a nonpublic school under this section or in a nonresident district school or program under section 124D.03.

(b) For the purposes of this section, "persistently low-performing school" means a public school located in a city of the first class that has student performance levels for at least three consecutive school years immediately preceding the school year in which a student enrolls in a nonpublic school under this section or in a nonresident district school or program under section 124D.03, as follows:

(1) the combined total percentage of students scoring at the "does not meet standards" level for either the reading or mathematics Minnesota Comprehensive Assessment exceeds 40 percent for all grades tested;

(2) the combined percentage of students demonstrating "proficient, low growth," "not proficient, low growth," and "not proficient, medium growth" for either the reading or mathematics Minnesota Comprehensive Assessment exceeds 50 percent; or

(3) 50 percent or more students in secondary school do not receive a passing score when first tested on the graduation required assessment for diploma in reading, mathematics, or writing.

(c) For purposes of this section, a city of the first class must have met the definition of a city of the first class under section 410.01 on December 28, 2010.

Subd. 2. Eligible nonpublic schools. The nonpublic school must administer the applicable Minnesota Comprehensive Assessments in writing, reading, and mathematics under section 120B.30 to its students enrolled under this section.

Subd. 3. Tuition funding for students transferring to nonpublic schools. If a student transfers to a nonpublic school under this section, and upon receiving proof that the student is enrolled in the nonpublic school, the commissioner shall make payments to the student's parent or guardian in an amount equal to the lesser of the state

average general education revenue per pupil unit, calculated without transportation sparsity revenue or the nonpublic school's operating and debt service cost per pupil that is related to educational programming, as determined by the commissioner. The commissioner shall send the check to the nonpublic school and the parent or guardian shall restrictively endorse the check for the nonpublic school's use.

The scholarship payments must be made by the commissioner to the recipients in three equal payments on September 15, January 15, and July 1.

Subd. 4. Student transportation. A resident school district must provide for transportation within the district's borders for a student who enrolls in a nonpublic school under this section and shall receive transportation funding equal to the actual costs in the current school year for those transportation services according to the schedule of payments in subdivision 3.

Subd. 5. Funding for student testing. The state shall pay the nonpublic school the costs of administering applicable tests under section 120B.30.

Subd. 6. List of nonpublic schools. The commissioner shall publish a list of participating nonpublic schools.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the 2011-2012 school year and later.

Sec. 34. Minnesota Statutes 2010, section 124D.09, subdivision 5, is amended to read:

Subd. 5. Authorization; notification. Notwithstanding any other law to the contrary, an 11th or 12th grade pupil enrolled in a school or an American Indian-controlled tribal contract or grant school eligible for aid under section 124D.83, except a foreign exchange pupil enrolled in a district under a cultural exchange program, may apply to an eligible institution, as defined in subdivision 3, to enroll in nonsectarian courses offered by that postsecondary institution. Notwithstanding any other law to the contrary, a 9th or 10th grade pupil enrolled in a district or an American Indian-controlled tribal contract or grant school eligible for aid under section 124D.83, except a foreign exchange pupil enrolled in a district under a cultural exchange program, may apply to enroll in nonsectarian courses offered under subdivision 10, if after all 11th and 12th grade students have applied for a course, additional students are necessary to offer the course. If an institution accepts a secondary pupil for enrollment under this section, the institution shall send written notice to the pupil, the pupil's school or school district, and the commissioner within ten days of acceptance. The notice must indicate the course and hours of enrollment of that pupil. If the pupil enrolls in a course for postsecondary credit, the institution must notify the pupil about payment in the customary manner used by the institution.

Sec. 35. Minnesota Statutes 2010, section 124D.09, subdivision 7, is amended to read:

Subd. 7. Dissemination of information; notification of intent to enroll. By March 1 of each year, a district must provide general information about the program to all pupils in grades 8, 9, 10, and 11. To assist the district in planning, a pupil shall inform the district by March 30 of each year of the pupil's intent to enroll in postsecondary courses during the following school year. A pupil is not bound by notifying or not notifying the district by March 30.

Sec. 36. Minnesota Statutes 2010, section 124D.09, subdivision 8, is amended to read:

Subd. 8. Limit on participation. A pupil who first enrolls in grade 9 may not enroll in postsecondary courses under this section for secondary credit for more than the equivalent of four academic years. A pupil who first enrolls in grade 10 may not enroll in postsecondary courses under this section for secondary credit for more than the equivalent of three academic years. A pupil who first enrolls in grade 11 may not enroll in postsecondary courses under this section for secondary credit for more than the equivalent of two academic years. A pupil who first enrolls

in grade 12 may not enroll in postsecondary courses under this section for secondary credit for more than the equivalent of one academic year. If a pupil in grade 9, 10, 11, or 12 first enrolls in a postsecondary course for secondary credit during the school year, the time of participation shall be reduced proportionately. If a pupil is in a learning year or other year-round program and begins each grade in the summer session, summer sessions shall not be counted against the time of participation. A pupil who has graduated from high school cannot participate in a program under this section. A pupil who has completed course requirements for graduation but who has not received a diploma may participate in the program under this section.

Sec. 37. Minnesota Statutes 2010, section 124D.10, subdivision 11, is amended to read:

Subd. 11. **Employment and other operating matters.** (a) A charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed in the school. The charter school's state aid may be reduced under section 127A.43 if the school employs a teacher who is not appropriately licensed or approved by the board of teaching. The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. The school must create and implement a teacher evaluation structure under section 122A.411 to use in developing and improving teacher performance and student learning. Teacher evaluations undertaken under this paragraph do not create additional due process rights for teachers employed or otherwise working at the school. The charter school board is subject to section 181.932. When offering employment to a prospective employee, a charter school must give that employee a written description of the terms and conditions of employment and the school's personnel policies.

(b) A person, without holding a valid administrator's license, may perform administrative, supervisory, or instructional leadership duties. The board of directors shall establish qualifications for persons that hold administrative, supervisory, or instructional leadership roles. The qualifications shall include at least the following areas: instruction and assessment; human resource and personnel management; financial management; legal and compliance management; effective communication; and board, authorizer, and community relationships. The board of directors shall use those qualifications as the basis for job descriptions, hiring, and performance evaluations of those who hold administrative, supervisory, or instructional leadership roles. The board of directors and an individual who does not hold a valid administrative license and who serves in an administrative, supervisory, or instructional leadership position shall develop a professional development plan. Documentation of the implementation of the professional development plan of these persons shall be included in the school's annual report.

(c) The board of directors also shall decide matters related to the operation of the school, including budgeting, curriculum and operating procedures.

Sec. 38. Minnesota Statutes 2010, section 124D.11, subdivision 4, is amended to read:

Subd. 4. **Building lease aid.** When a charter school finds it economically advantageous to rent or lease a building or land for any instructional purposes and it determines that the total operating capital revenue under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for building lease aid for this purpose. The commissioner must review and either approve or deny a lease aid application using the following criteria:

- (1) the reasonableness of the price based on current market values;
- (2) the extent to which the lease conforms to applicable state laws and rules; and
- (3) the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school.

A charter school must not use the building lease aid it receives for custodial, maintenance service, utility, or other operating costs. The amount of building lease aid per pupil unit served for a charter school for any year shall not exceed the lesser of (a) 90 percent of the approved cost or (b) the product of the pupil units served for the current school year times ~~the greater of the charter school's building lease aid per pupil unit served for fiscal year 2003, excluding the adjustment under Laws 2002, chapter 392, article 6, section 4, or \$1,200.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 39. Minnesota Statutes 2010, section 124D.36, is amended to read:

124D.36 CITATION; ~~MINNESOTA YOUTHWORKS~~ SERVE MINNESOTA INNOVATION ACT.

Sections 124D.37 to 124D.45 shall be cited as the " ~~Minnesota Youthworks~~ ServeMinnesota Innovation Act."

Sec. 40. Minnesota Statutes 2010, section 124D.37, is amended to read:

124D.37 PURPOSE OF ~~MINNESOTA YOUTHWORKS~~ SERVE MINNESOTA INNOVATION ACT.

The purposes of sections 124D.37 to 124D.45 are to:

- (1) renew the ethic of civic responsibility in Minnesota;
- (2) empower youth to improve their life opportunities through literacy, job placement, and other essential skills;
- (3) empower government to meet its responsibility to prepare young people to be contributing members of society;
- (4) help meet human, educational, environmental, and public safety needs, particularly those needs relating to poverty;
- (5) prepare a citizenry that is academically competent, ready for work, and socially responsible;
- (6) demonstrate the connection between youth and community service, community service and education, and education and meaningful opportunities in the business community;
- (7) demonstrate the connection between providing opportunities for at-risk youth and reducing crime rates and the social costs of troubled youth;
- (8) create linkages for a comprehensive youth service and learning program in Minnesota including school age programs, higher education programs, youth work programs, and service corps programs; and
- (9) coordinate federal and state activities that advance the purposes in this section.

Sec. 41. Minnesota Statutes 2010, section 124D.38, subdivision 3, is amended to read:

Subd. 3. **Federal law.** "Federal law" means Public Law ~~401-610~~ 111-13, as amended, or any other federal law or program assisting youth community service, work-based learning, or youth transition from school to work.

Sec. 42. Minnesota Statutes 2010, section 124D.385, subdivision 3, is amended to read:

Subd. 3. **Duties.** (a) The commission shall:

(1) develop, with the assistance of the governor, the commissioner of education, and affected state agencies, a comprehensive state plan to provide services under sections 124D.37 to 124D.45 and federal law;

(2) actively pursue public and private funding sources for services, including funding available under federal law;

(3) administer the ~~Youthworks~~ ServeMinnesota grant program under sections 124D.39 to 124D.44, including soliciting and approving grant applications from eligible organizations, and administering individual postservice benefits;

(4) establish an evaluation plan for programs developed and services provided under sections 124D.37 to 124D.45;

(5) report to the governor, commissioner of education, and legislature; and

(6) administer the federal AmeriCorps Program.

(b) Nothing in sections 124D.37 to 124D.45 precludes an organization from independently seeking public or private funding to accomplish purposes similar to those described in paragraph (a).

Sec. 43. Minnesota Statutes 2010, section 124D.39, is amended to read:

124D.39 ~~YOUTHWORKS~~ SERVEMINNESOTA INNOVATION PROGRAM.

The ~~Youthworks~~ ServeMinnesota Innovation program is established to provide funding for the commission to leverage federal and private funding to fulfill the purposes of section 124D.37. The ~~Youthworks~~ ServeMinnesota Innovation program must supplement existing programs and services. The program must not displace existing programs and services, existing funding of programs or services, or existing employment and employment opportunities. No eligible organization may terminate, layoff, or reduce the hours of work of an employee to place or hire a program participant. No eligible organization may place or hire an individual for a project if an employee is on layoff from the same or a substantially equivalent position.

Sec. 44. Minnesota Statutes 2010, section 124D.40, is amended to read:

124D.40 ~~YOUTHWORKS~~ SERVEMINNESOTA INNOVATION GRANTS.

Subdivision 1. **Application.** An eligible organization interested in receiving a grant under sections 124D.39 to 124D.44 may prepare and submit an application to the commission. As part of the grant application process, the commission must establish and publish grant application guidelines that are consistent with this subdivision, section 124D.37, and Public Law 111-13; include criteria for reviewing an applicant's cost-benefit analysis; and require grantees to use research-based measures of program outcomes to generate valid and reliable data that are available to the commission for evaluation and public reporting purposes.

Subd. 2. **Grant authority.** The commission must use any state appropriation and any available federal funds, including any grant received under federal law, to award grants to establish programs for ~~Youthworks~~ ServeMinnesota Innovation. At least one grant each must be available for a metropolitan proposal, a rural proposal, and a statewide proposal. If a portion of the suburban metropolitan area is not included in the metropolitan grant proposal, the statewide grant proposal must incorporate at least one suburban metropolitan area. In awarding grants, the commission may select at least one residential proposal and one nonresidential proposal.

Sec. 45. Minnesota Statutes 2010, section 124D.42, is amended to read:

124D.42 YOUTHWORKS PROGRAM TRAINING; READING CORPS.

Subd. 6. **Program training.** The commission must, within available resources:

- (1) orient each grantee organization in the nature, philosophy, and purpose of the program; ~~and~~
- (2) build an ethic of community service through general community service training; and
- (3) provide guidance on integrating programmatic-based measurement into program models.

Subd. 8. **Minnesota reading corps program.** (a) A Minnesota reading corps program is established to provide ~~Americorps ServeMinnesota Innovation~~ members with a data-based problem-solving model of literacy instruction to use in helping to train local Head Start program providers, other prekindergarten program providers, and staff in schools with students in kindergarten through grade 3 to evaluate and teach early literacy skills, including comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, to children age 3 to grade 3.

(b) Literacy programs under this subdivision must comply with the provisions governing literacy program goals and data use under section 119A.50, subdivision 3, paragraph (b).

(c) The commission must submit a biennial report to the committees of the legislature with jurisdiction over kindergarten through grade 12 education that records and evaluates program data to determine the efficacy of the programs under this subdivision.

Sec. 46. Minnesota Statutes 2010, section 124D.44, is amended to read:

124D.44 MATCH REQUIREMENTS.

~~Youthworks ServeMinnesota Innovation~~ grant funds must be used for the living allowance, cost of employer taxes under sections 3111 and 3301 of the Internal Revenue Code of 1986, workers' compensation coverage, health benefits, training and evaluation for each program participant, and administrative expenses, which must not exceed ~~five~~ seven percent of total program costs. ~~Youthworks grant funds may also be used to supplement applicant resources to fund postservice benefits for program participants.~~ Applicant resources, from sources and in a form determined by the commission, must be used to provide for all other program costs, ~~including the portion of the applicant's obligation for postservice benefits that is not covered by state or federal grant funds and such costs as supplies, materials, transportation, and salaries and benefits of those staff directly involved in the operation, internal monitoring, and evaluation of the program.~~

Sec. 47. Minnesota Statutes 2010, section 124D.45, subdivision 2, is amended to read:

Subd. 2. **Interim report.** The commission must report ~~semiannually~~ annually to the legislature with interim recommendations to change the program.

Sec. 48. Minnesota Statutes 2010, section 124D.4531, subdivision 1, is amended to read:

Subdivision 1. **Career and technical levy.** (a) A district with a career and technical program approved under this section for the fiscal year in which the levy is certified may levy an amount equal to the ~~lesser~~ greater of:

- (1) \$80 times the district's average daily membership in grades ~~10~~ 9 through 12 for the fiscal year in which the levy is certified; or

(2) ~~25~~ 35 percent of approved expenditures in the fiscal year in which the levy is certified for the following:

(i) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year, including extended contracts, for services rendered in the district's approved career and technical education programs;

(ii) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under subdivision 7;

(iii) necessary travel between instructional sites by licensed career and technical education personnel;

(iv) necessary travel by licensed career and technical education personnel for vocational student organization activities held within the state for instructional purposes;

(v) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

(vi) necessary travel by licensed career and technical education personnel for noncollegiate credit-bearing professional development; and

(vii) specialized vocational instructional supplies.

(b) Up to ten percent of a district's career and technical levy may be spent on equipment purchases. Districts using the career and technical levy for equipment purchases must report to the department on the improved learning opportunities for students that result from the investment in equipment.

(c) The district must recognize the full amount of this levy as revenue for the fiscal year in which it is certified.

(d) The amount of the levy certified under this subdivision may not exceed \$17,600,000 for taxes payable in 2012 and 2013 and \$20,100,000 for taxes payable in 2014 and later.

(e) If the estimated levy exceeds the amount in paragraph (d), the commissioner must reduce the percentage in paragraph (a), clause (2), until the estimated levy no longer exceeds the limit in paragraph (d).

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and later.

Sec. 49. **[124D.855] SCHOOL SEGREGATION PROHIBITED.**

The state, consistent with section 123B.30 and chapter 363A, does not condone separating school children of different socioeconomic, demographic, ethnic, or racial backgrounds into distinct public schools. Instead, the state's interest lies in offering children a diverse and nondiscriminatory educational experience.

Sec. 50. **[124D.975] INNOVATION ACHIEVEMENT TRANSITION REVENUE.**

Subdivision 1. **Purpose.** Innovation achievement transition revenue received under this section must be spent on research-based activities designed to increase student achievement.

Subd. 2. **Innovation achievement transition revenue.** A school district's innovation achievement transition revenue equals the sum of its innovation achievement transition levy and its innovation achievement transition aid.

Subd. 3. **Innovation achievement transition levy allowance.** A district's innovation achievement transition levy allowance equals its levy authority under section 124D.86, for taxes payable in 2011, divided by its adjusted average daily membership for fiscal year 2012.

Subd. 4. **Innovation achievement transition levy.** A district's innovation achievement transition levy equals its innovation achievement transition levy allowance times its adjusted average daily membership for the current year.

Subd. 5. **Innovation achievement transition aid.** For fiscal year 2012, a district's innovation achievement transition aid equals the amount of aid the district would have received for fiscal year 2012 under Minnesota Statutes 2010, section 124D.86, for that year. For fiscal year 2013 and later, innovation achievement transition aid equals the district's adjusted average daily membership for that year, times \$180 for Special School District No. 1, Minneapolis, \$180 for Independent School District No. 625, St. Paul, and \$50 for Independent School District No. 709, Duluth.

Subd. 6. **Aid reduction.** Innovation achievement transition aid for fiscal year 2012 is reduced by \$2,514,000 for Special School District No. 1, Minneapolis, \$2,247,000 for Independent School District No. 625, St. Paul, and \$61,000 for Independent School District No. 709, Duluth.

Sec. 51. **[124D.98] LITERACY INCENTIVE AID.**

Subdivision 1. **Literacy incentive aid.** In fiscal year 2013 and later, a district's literacy incentive aid equals the sum of the proficiency aid under subdivision 2, and the growth aid under subdivision 3.

Subd. 2. **Proficiency aid.** In fiscal year 2013 and later, the proficiency aid for each school is equal to the product of the school's proficiency allowance times the number of pupils at the school on October 1 of the previous fiscal year. A school's proficiency allowance is equal to the percentage of students in each building that meet or exceed proficiency on the third grade reading Minnesota Comprehensive Assessment, averaged across the previous three test administrations, times \$100.

Subd. 3. **Growth aid.** In fiscal year 2013 and later, the growth aid for each school is equal to the product of the school's growth allowance times the number of pupils enrolled at the school on October 1 of the previous fiscal year. A school's growth allowance is equal to the percentage of students at that school making medium or high growth, under section 120B.299, on the fourth grade reading Minnesota Comprehensive Assessment, averaged across the previous three test administrations, times \$100.

Sec. 52. Minnesota Statutes 2010, section 179A.16, subdivision 1, is amended to read:

Subdivision 1. **Nonessential employees.** An exclusive representative or an employer of a unit of employees other than essential employees or teachers may request interest arbitration by providing written notice of the request to the other party and the commissioner. The written request for arbitration must specify the items to be submitted to arbitration and whether conventional, final-offer total-package, or final-offer item-by-item arbitration is contemplated by the request.

The items to be submitted to arbitration and the form of arbitration to be used are subject to mutual agreement. If an agreement to arbitrate is reached, it must be reduced to writing and a copy of the agreement filed with the commissioner. A failure to respond, or to reach agreement on the items or form of arbitration, within 15 days of receipt of the request to arbitrate constitutes a rejection of the request.

EFFECTIVE DATE. This section is effective beginning July 1, 2013, and applies to all teacher collective bargaining agreements entered into or modified after that date.

Sec. 53. **[179A.175] TEACHER CONTRACTS.**

Notwithstanding section 179A.16 and any other law to the contrary, a school board and the exclusive representative of the teachers may meet and negotiate and enter into an employment contract between March 15 and October 15 in an odd-numbered year. If the school board and the exclusive representative fail to reach a certified written agreement by October 15 in the odd-numbered year, the negotiations must be suspended until the next even-numbered calendar year and resume during the three-month period preceding September 1 when school is not in session. During the time the negotiations are suspended, employee compensation must be according to the terms of the collective bargaining agreement in effect in the preceding collective bargaining cycle. If agreement is not reached during the three-month period in the even-numbered year, the school board must submit the matter to an arbitrator selected by the Bureau of Mediation Services who must determine the matter based on a final offer total package from each party. The arbitrator's award must not cause a structural imbalance in a district's budget during the contract term that is subject to the arbitrator's award under this section. An award will not cause a structural imbalance only if district expenditures do not exceed available revenue, taking into account current state aid formulas and reasonable and comprehensive calculations and projections of the district's ongoing revenues and expenditures during the contract term. Onetime revenue must not be considered when calculating or projecting available revenue for ongoing expenditures in a contract term.

EFFECTIVE DATE. This section is effective beginning July 1, 2013, and applies to all teacher collective bargaining agreements entered into or modified after that date.

Sec. 54. Minnesota Statutes 2010, section 179A.18, subdivision 1, is amended to read:

Subdivision 1. **When authorized.** Essential employees and teachers may not strike. Except as otherwise provided by subdivision 2 and section 179A.17, subdivision 2, other public employees may strike only under the following circumstances:

(1)(i) the collective bargaining agreement between their exclusive representative and their employer has expired or, if there is no agreement, impasse under section 179A.17, subdivision 2, has occurred; and

(ii) the exclusive representative and the employer have participated in mediation over a period of at least 45 days, provided that the mediation period established by section 179A.17, subdivision 2, governs negotiations under that section, and provided that for the purposes of this subclause the mediation period commences on the day following receipt by the commissioner of a request for mediation; or

(2) the employer violates section 179A.13, subdivision 2, clause (9); or

(3) in the case of state employees, (i) the Legislative Coordinating Commission has rejected a negotiated agreement or arbitration decision during a legislative interim; or (ii) the entire legislature rejects or fails to ratify a negotiated agreement or arbitration decision, which has been approved during a legislative interim by the Legislative Coordinating Commission, at a special legislative session called to consider it, or at its next regular legislative session, whichever occurs first.

EFFECTIVE DATE. This section is effective beginning July 1, 2013, and applies to all teacher collective bargaining agreements entered into or modified after that date.

Sec. 55. Minnesota Statutes 2010, section 179A.18, subdivision 3, is amended to read:

Subd. 3. **Notice.** In addition to the other requirements of this section, no employee may strike unless written notification of intent to strike is served on the employer and the commissioner by the exclusive representative at least ten days prior to the commencement of the strike. For all employees ~~other than teachers~~, if more than 30 days

have expired after service of a notification of intent to strike, no strike may commence until ten days after service of a new written notification. ~~For teachers, no strike may commence more than 25 days after service of notification of intent to strike unless, before the end of the 25-day period, the exclusive representative and the employer agree that the period during which a strike may commence shall be extended for an additional period not to exceed five days. Teachers are limited to one notice of intent to strike for each contract negotiation period, provided, however, that a strike notice may be renewed for an additional ten days, the first five of which shall be a notice period during which no strike may occur, if the following conditions have been satisfied:~~

- ~~(1) an original notice was provided pursuant to this section; and~~
- ~~(2) a tentative agreement to resolve the dispute was reached during the original strike notice period; and~~
- ~~(3) such tentative agreement was rejected by either party during or after the original strike notice period.~~

The first day of the renewed strike notice period shall commence on the day following the expiration of the previous strike notice period or the day following the rejection of the tentative agreement, whichever is later. Notification of intent to strike under subdivisions 1, clause (1); and 2, clause (1), may not be served until the collective bargaining agreement has expired, or if there is no agreement, on or after the date impasse under section 179A.17 has occurred.

EFFECTIVE DATE. This section is effective beginning July 1, 2013, and applies to all teacher collective bargaining agreements entered into or modified after that date.

Sec. 56. **IMPLEMENTING A PERFORMANCE-BASED EVALUATION SYSTEM FOR PRINCIPALS.**

(a) To implement the requirements of Minnesota Statutes, sections 123B.143, subdivision 1, clause (3), and 122A.73, the commissioner of education, the Minnesota Association of Secondary School Principals, and the Minnesota Association of Elementary School Principals must convene a group of recognized and qualified experts and interested stakeholders, including principals, superintendents, teachers, school board members, and parents, among other stakeholders, to develop a performance-based system model for annually evaluating school principals. In developing the system model, the group must at least consider how principals develop and maintain:

- (1) high standards for student performance;
- (2) rigorous curriculum;
- (3) quality instruction;
- (4) a culture of learning and professional behavior;
- (5) connections to external communities;
- (6) systemic performance accountability; and
- (7) leadership behaviors that create effective schools and improve school performance, including how to plan for, implement, support, advocate for, communicate about, and monitor continuous and improved learning.

The group also may consider whether to establish a multitiered evaluation system that supports newly licensed principals in becoming highly skilled school leaders and provides opportunities for advanced learning for more experienced school leaders.

(b) The commissioner, the Minnesota Association of Secondary School Principals, and the Minnesota Association of Elementary School Principals must submit a written report and all the group's working papers to the education committees of the legislature by February 1, 2012, discussing the group's responses to paragraph (a) and its recommendations for a performance-based system model for annually evaluating school principals. The group convened under this section expires June 1, 2012.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to principal evaluations beginning in the 2013-2014 school year and later.

Sec. 57. **REPORT; PLAN FOR IMPLEMENTING SCHOOL AND DISTRICT GRADING SYSTEM.**

The commissioner of education must convene a stakeholder group that includes assessment and evaluation directors, educators, researchers, and parents to advise the commissioner on developing a plan to implement the school and district grading system under Minnesota Statutes, section 120B.361. The commissioner must present the plan in writing to the education policy and finance committees of the legislature by February 15, 2012, and include any recommendations for further clarifying Minnesota Statutes, section 120B.361.

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

Sec. 58. **REPORT; RECOMMENDATIONS FOR INCREASING SCHOOLS' FINANCIAL FLEXIBILITY.**

The commissioner of education must submit to the education policy and finance committees of the legislature by February 1, 2013, written recommendations that identify fiscal mandates the legislature might waive to give greater financial flexibility to schools that received a letter grade of "A," improved at least one letter grade in the preceding school year, or improved two or more letter grades in the two preceding school years under Minnesota Statutes, section 120B.361, subdivision 1.

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

Sec. 59. **ENROLLMENT OPTIONS FOR STUDENTS OF LOW-PERFORMING SCHOOLS; REPORT.**

The commissioner of education must submit to the education policy and finance committees of the legislature by February 1, 2014, a report on the enrollment options for students at low-performing public schools under section 14. The report, at a minimum, must:

(1) examine the demographics of the students participating in the program; and

(2) detail the academic performance of students participating in the program, including their performance on reading and mathematics tests under Minnesota Statutes 2010, section 120B.30, and compare the academic performance of students of similar demographics in public schools with these students.

Sec. 60. **CHARTER SCHOOL START-UP AID.**

Notwithstanding any law to the contrary, a charter school in its first year of operation during fiscal year 2012 is not eligible for charter school start-up aid under Minnesota Statutes, section 124D.11, subdivision 8.

Sec. 61. **LITERACY INCENTIVE AID LIMIT.**

Notwithstanding Minnesota Statutes, section 124D.98, subdivision 1, for fiscal year 2013 only, the commissioner must adjust the entitlement for literacy incentive aid under Minnesota Statutes, section 124D.98, subdivision 1, to ensure that the total entitlement does not exceed \$48,585,000. If the literacy incentive aid exceeds the limit established in this section, the aid must be reduced proportionately to match the limit.

Sec. 62. **APPRAISAL IMPLEMENTATION TIMELINE.**

Consistent with Minnesota Statutes, section 122A.411, districts and charter schools shall implement the teacher appraisal framework according to the following timeline:

(1) in the 2011-2012 school year, develop an appraisal framework and a system to collect data;

(2) in the 2012-2013 school year, implement the teacher appraisal framework and data collection system as a pilot program; and

(3) beginning in the 2013-2014 school year, fully implement the teacher appraisal framework and data collection system.

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

Sec. 63. **APPROPRIATIONS.**

Subdivision 1. Department of Education. The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. Charter school building lease aid. For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

<u>\$47,466,000</u>	<u>.....</u>	<u>2012</u>
<u>\$52,484,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$13,336,000 for 2011 and \$34,130,000 for 2012.

The 2013 appropriation includes \$14,627,000 for 2012 and \$37,857,000 for 2013.

Subd. 3. Charter school start-up aid. For charter school start-up cost aid under Minnesota Statutes, section 124D.11, subdivision 8:

<u>\$180,000</u>	<u>.....</u>	<u>2012</u>
<u>\$25,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$119,000 for 2011 and \$61,000 for 2012.

The 2013 appropriation includes \$25,000 for 2012 and \$0 for 2013.

Subd. 4. Integration aid. For integration aid under Minnesota Statutes, section 124D.86:

<u>\$19,272,000</u>	<u>.....</u>	<u>2012</u>
<u>\$7,797,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$19,272,000 for 2011.

The 2013 appropriation includes \$7,797,000 for 2011.

Subd. 5. **Innovation achievement transition aid.** For innovation achievement transition aid under Minnesota Statutes, section 124D.975:

<u>\$43,672,000</u>	.....	<u>2012</u>
<u>\$29,039,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$0 for 2011 and \$43,672,000 for 2012.

The 2013 appropriation includes \$18,716,000 for 2012 and \$10,323,000 for 2013.

Subd. 6. **Literacy incentive aid.** For literacy incentive aid under Minnesota Statutes, section 124D.98:

<u>\$34,009,000</u>	<u>2013</u>
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The 2013 appropriation includes \$0 for 2012 and \$34,009,000 for 2013.

Subd. 7. **Interdistrict desegregation or integration transportation grants.** For interdistrict desegregation or integration transportation grants under Minnesota Statutes, section 124D.87:

<u>\$14,917,000</u>	.....	<u>2012</u>
<u>\$16,612,000</u>	.....	<u>2013</u>

Subd. 8. **Success for the future.** For American Indian success for the future grants under Minnesota Statutes, section 124D.81:

<u>\$2,137,000</u>	.....	<u>2012</u>
<u>\$2,137,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$641,000 for 2011 and \$1,496,000 for 2012.

The 2013 appropriation includes \$641,000 for 2012 and \$1,496,000 for 2013.

Subd. 9. **American Indian teacher preparation grants.** For joint grants to assist American Indian people to become teachers under Minnesota Statutes, section 122A.63:

<u>\$190,000</u>	.....	<u>2012</u>
<u>\$190,000</u>	.....	<u>2013</u>

Subd. 10. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

<u>\$2,088,000</u>	.....	<u>2012</u>
<u>\$2,195,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$600,000 for 2011 and \$1,488,000 for 2012.

The 2013 appropriation includes \$637,000 for 2012 and \$1,558,000 for 2013.

Subd. 11. **Early childhood programs at tribal schools.** For early childhood family education programs at tribal contract schools under Minnesota Statutes, section 124D.83, subdivision 4:

<u>\$68,000</u>	.....	<u>2012</u>
<u>\$68,000</u>	.....	<u>2013</u>

Subd. 12. **Statewide testing and reporting system.** For the statewide testing and reporting system under Minnesota Statutes, section 120B.30:

<u>\$15,150,000</u>	.....	<u>2012</u>
<u>\$15,150,000</u>	.....	<u>2013</u>

Any balance in the first year does not cancel but is available in the second year.

Subd. 13. **Examination fees; teacher training and support programs.** (a) For students' advanced placement and international baccalaureate examination fees under Minnesota Statutes, section 120B.13, subdivision 3, and the training and related costs for teachers and other interested educators under Minnesota Statutes, section 120B.13, subdivision 1:

<u>\$4,500,000</u>	.....	<u>2012</u>
<u>\$4,500,000</u>	.....	<u>2013</u>

(b) The advanced placement program shall receive 75 percent of the appropriation each year and the international baccalaureate program shall receive 25 percent of the appropriation each year. The department, in consultation with representatives of the advanced placement and international baccalaureate programs selected by the Advanced Placement Advisory Council and IBMN, respectively, shall determine the amounts of the expenditures each year for examination fees and training and support programs for each program.

(c) Notwithstanding Minnesota Statutes, section 120B.13, subdivision 1, at least \$500,000 each year is for teachers to attend subject matter summer training programs and follow-up support workshops approved by the advanced placement or international baccalaureate programs. The amount of the subsidy for each teacher attending an advanced placement or international baccalaureate summer training program or workshop shall be the same. The commissioner shall determine the payment process and the amount of the subsidy.

(d) The commissioner shall pay all examination fees for all students of low-income families under Minnesota Statutes, section 120B.13, subdivision 3, and to the extent of available appropriations shall also pay examination fees for students sitting for an advanced placement examination, international baccalaureate examination, or both.

Any balance in the first year does not cancel but is available in the second year.

Subd. 14. **Concurrent enrollment programs.** For concurrent enrollment programs under Minnesota Statutes, section 124D.091:

<u>\$2,000,000</u>	.....	<u>2012</u>
<u>\$2,000,000</u>	.....	<u>2013</u>

If the appropriation is insufficient, the commissioner must proportionately reduce the aid payment to each district.

Any balance in the first year does not cancel but is available in the second year.

Subd. 15. **Collaborative urban educator.** For the collaborative urban educator program:

<u>\$528,000</u>	.....	<u>2012</u>
<u>\$528,000</u>	.....	<u>2013</u>

\$200,000 each year is for the Southeast Asian teacher program at Concordia University, St. Paul; \$164,000 each year is for the collaborative educator program at the University of St. Thomas; and \$164,000 each year is for the Center for Excellence in Urban Teaching at Hamline University.

Any balance in the first year does not cancel but is available in the second year.

Each institution shall prepare for the legislature, by January 15 of each year, a detailed report regarding the funds used. The report must include the number of teachers prepared as well as the diversity of each cohort of teachers produced.

Subd. 16. ServeMinnesota program. For funding ServeMinnesota programs under Minnesota Statutes, sections 124D.37 to 124D.45:

<u>\$900,000</u>	<u>.....</u>	<u>2012</u>
<u>\$900,000</u>	<u>.....</u>	<u>2013</u>

A grantee organization may provide health and child care coverage to the dependents of each participant enrolled in a full-time ServeMinnesota program to the extent such coverage is not otherwise available.

Subd. 17. Student organizations. For student organizations:

<u>\$725,000</u>	<u>.....</u>	<u>2012</u>
<u>\$725,000</u>	<u>.....</u>	<u>2013</u>

\$49,000 each year is for student organizations serving health occupations (HUSA).

\$46,000 each year is for student organizations serving service occupations (HERO).

\$106,000 each year is for student organizations serving trade and industry occupations (SkillsUSA, secondary and postsecondary).

\$101,000 each year is for student organizations serving business occupations (DECA, BPA, secondary and postsecondary).

\$158,000 each year is for student organizations serving agriculture occupations (FFA, PAS).

\$150,000 each year is for student organizations serving family and consumer science occupations (FCCLA).

\$115,000 each year is for student organizations serving marketing occupations (DEX).

Any balance in the first year does not cancel but is available in the second year.

Subd. 18. Early childhood literacy programs. For early childhood literacy programs under Minnesota Statutes, section 119A.50, subdivision 3:

<u>\$4,125,000</u>	<u>.....</u>	<u>2012</u>
<u>\$4,125,000</u>	<u>.....</u>	<u>2013</u>

\$4,125,000 each year is for leveraging federal and private funding to support AmeriCorps members serving in the Minnesota Reading Corps program established by ServeMinnesota, including costs associated with the training and teaching of early literacy skills to children age three to grade 3 and the evaluation of the impact of the program under Minnesota Statutes, sections 124D.38, subdivision 2, and 124D.42, subdivision 6.

Any balance in the first year does not cancel, but is available in the second year.

Subd. 19. **Educational planning and assessment system (EPAS) program.** For the educational planning and assessment system program under Minnesota Statutes, section 120B.128:

<u>\$829,000</u>	.....	<u>2012</u>
<u>\$829,000</u>	.....	<u>2013</u>

Any balance in the first year does not cancel but is available in the second year.

Subd. 20. **School recognition awards.** For payments to school districts for the school recognition award program under Minnesota Statutes, section 120B.361:

<u>\$0</u>	.....	<u>2012</u>
<u>\$3,455,000</u>	.....	<u>2013</u>

The 2013 appropriation includes \$0 for 2012 and \$3,455,000 for 2013.

Subd. 21. **Enrollment options for students at low-performing schools.** For the enrollment options for students at low-performing schools under Minnesota Statutes, section 124D.031:

<u>\$4,992,000</u>	.....	<u>2012</u>
<u>\$12,504,000</u>	.....	<u>2013</u>

Of this appropriation, \$264,000 in 2012 and \$664,000 in 2013 are for payments to school districts for reimbursement for transportation expenses under Minnesota Statutes, section 124D.031, subdivision 4.

Sec. 64. **REPEALER.**

(a) Minnesota Statutes 2010, section 179A.18, subdivision 2, is repealed effective July 1, 2013.

(b) Minnesota Statutes 2010, sections 122A.61; 124D.11, subdivision 8; 124D.86; 124D.871; and 124D.88, are repealed effective for fiscal year 2012 and later.

(c) Minnesota Statutes 2010, section 124D.38, subdivisions 4, 5, and 6, are repealed.

(d) Minnesota Statutes 2010, sections 123B.05; 124D.892, subdivisions 1 and 2; and 124D.896, are repealed effective July 1, 2011.

(e) Minnesota Statutes 2010, sections 122A.40, subdivision 10; and 122A.60, subdivisions 1, 2, 3, and 4, are repealed effective for the 2013-2014 school year and later.

(f) Minnesota Rules, parts 3535.0100; 3535.0110; 3535.0120; 3535.0130; 3535.0140; 3535.0150; 3535.0160; 3535.0170; and 3535.0180, are repealed effective July 1, 2011.

ARTICLE 3
SPECIAL EDUCATION

Section 1. Minnesota Statutes 2010, section 125A.07, is amended to read:

125A.07 RULEMAKING.

(a) Consistent with this section, the commissioner shall adopt new rules and amend existing rules related to children with disabilities only ~~under~~ after receiving specific legislative authority to do so, consistent with section 127A.05, subdivision 4, and consistent with the requirements of chapter 14 and paragraph (c). Technical changes and corrections are exempted from this paragraph.

(b) As provided in this paragraph, the state's regulatory scheme should support schools by assuring that all state special education rules adopted by the commissioner result in one or more of the following outcomes:

(1) increased time available to teachers and, where appropriate, to support staff including school nurses for educating students through direct and indirect instruction;

(2) consistent and uniform access to effective education programs for students with disabilities throughout the state;

(3) reduced inequalities and conflict, appropriate due process hearing procedures and reduced court actions related to the delivery of special education instruction and services for students with disabilities;

(4) clear expectations for service providers and for students with disabilities;

(5) increased accountability for all individuals and agencies that provide instruction and other services to students with disabilities;

(6) greater focus for the state and local resources dedicated to educating students with disabilities; and

(7) clearer standards for evaluating the effectiveness of education and support services for students with disabilities.

(c) Subject to chapter 14, the commissioner may adopt, amend, or rescind a rule related to children with disabilities if such action is specifically required by federal law.

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

Sec. 2. Minnesota Statutes 2010, section 125A.21, subdivision 2, is amended to read:

Subd. 2. **Third-party reimbursement.** (a) Beginning July 1, 2000, districts shall seek reimbursement from insurers and similar third parties for the cost of services provided by the district whenever the services provided by the district are otherwise covered by the child's health coverage. Districts shall request, but may not require, the child's family to provide information about the child's health coverage when a child with a disability begins to receive services from the district of a type that may be reimbursable, and shall request, but may not require, updated information after that as needed.

(b) For children enrolled in medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health coverage, a district shall provide an initial and annual written notice to the enrolled child's parent or legal representative of its intent to seek reimbursement from medical assistance or MinnesotaCare for the ~~individual~~ individualized education ~~plan~~ program health-related services provided by the district. The initial notice must give the child's parent or legal representative the right to:

(1) request a copy of the child's education records on the health-related services that the district provided to the child and disclosed to a third-party payer;

(2) withdraw consent for the district to disclose information in a child's education record at any time without affecting a parent's eligibility for MinnesotaCare or medical assistance under section 256B.08, subdivision 1, including consent that the parent or legal representative gave as part of the application process for MinnesotaCare or medical assistance; and

(3) receive a statement, consistent with clause (2), indicating that a decision to withdraw consent for the district to disclose information in a child's education record does not affect a parent's eligibility for MinnesotaCare or medical assistance.

(c) The district shall give the parent or legal representative annual written notice of:

(1) the district's intent to seek reimbursement from medical assistance or MinnesotaCare for individual education plan health-related services provided by the district;

(2) the right of the parent or legal representative to request a copy of all records concerning individual education plan health-related services disclosed by the district to any third party; and

(3) the right of the parent or legal representative to withdraw consent for disclosure of a child's records at any time without consequence, including consent that the parent or legal representative gave as part of the application process for any public assistance program that may result in a parent's eligibility for MinnesotaCare or medical assistance under section 256B.08, subdivision 1.

The written notice shall be provided as part of the written notice required by Code of Federal Regulations, title 34, section 300.504. The district must ensure that the parent of a child with a disability is given notice, in understandable language, of federal and state procedural safeguards available to the parent under this paragraph and paragraph (b).

(d) In order to access the private health care coverage of a child who is covered by private health care coverage in whole or in part, a district must:

(1) obtain annual written informed consent from the parent or legal representative, in compliance with subdivision 5; and

(2) inform the parent or legal representative that a refusal to permit the district or state Medicaid agency to access their private health care coverage does not relieve the district of its responsibility to provide all services necessary to provide free and appropriate public education at no cost to the parent or legal representative.

(e) If the commissioner of human services obtains federal approval to exempt covered individual education plan health-related services from the requirement that private health care coverage refuse payment before medical assistance may be billed, paragraphs (b), (c), and (d) shall also apply to students with a combination of private health care coverage and health care coverage through medical assistance or MinnesotaCare.

(f) In the event that Congress or any federal agency or the Minnesota legislature or any state agency establishes lifetime limits, limits for any health care services, cost-sharing provisions, or otherwise provides that individual education plan health-related services impact benefits for persons enrolled in medical assistance or MinnesotaCare, the amendments to this subdivision adopted in 2002 are repealed on the effective date of any federal or state law or regulation that imposes the limits. In that event, districts must obtain informed consent consistent with this subdivision as it existed prior to the 2002 amendments and subdivision 5, before seeking reimbursement for children enrolled in medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health care coverage.

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

Sec. 3. Minnesota Statutes 2010, section 125A.21, subdivision 3, is amended to read:

Subd. 3. **Use of reimbursements.** Of the reimbursements received, districts may:

(1) retain an amount sufficient to compensate the district for its administrative costs of obtaining reimbursements;

(2) regularly obtain from education- and health-related entities training and other appropriate technical assistance designed to improve the district's ability to ~~determine which services are reimbursable and to seek timely reimbursement in a cost-effective manner~~ access third-party payments for individualized education program health-related services; or

(3) reallocate reimbursements for the benefit of students with ~~special needs~~ individualized education programs or individual family service plans in the district.

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

Sec. 4. Minnesota Statutes 2010, section 125A.21, subdivision 5, is amended to read:

Subd. 5. **Informed consent.** When obtaining informed consent, consistent with sections 13.05, subdivision 4a; ~~and~~, 256B.77, subdivision 2, paragraph (p), ~~and Code of Federal Regulations, title 34, parts 99 and 300,~~ to bill health plans for covered services, the school district must notify the legal representative (1) that the cost of the person's private health insurance premium may increase due to providing the covered service in the school setting, (2) that the school district may pay certain enrollee health plan costs, including but not limited to, co-payments, coinsurance, deductibles, premium increases or other enrollee cost-sharing amounts for health and related services required by an individual service plan, or individual family service plan, and (3) that the school's billing for each type of covered service may affect service limits and prior authorization thresholds. The informed consent may be revoked in writing at any time by the person authorizing the billing of the health plan.

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

Sec. 5. Minnesota Statutes 2010, section 125A.21, subdivision 7, is amended to read:

Subd. 7. **District disclosure of information.** A school district may disclose information contained in a student's ~~individual~~ individualized education plan program, consistent with section 13.32, subdivision 3, paragraph (a), ~~and Code of Federal Regulations, title 34, parts 99 and 300;~~ including records of the student's diagnosis and treatment, to a health plan company only with the signed and dated consent of the student's parent, or other legally authorized individual, including consent that the parent or legal representative gave as part of the application process for MinnesotaCare or medical assistance under section 256B.08, subdivision 1. The school district shall disclose only that information necessary for the health plan company to decide matters of coverage and payment. A health plan company may use the information only for making decisions regarding coverage and payment, and for any other use permitted by law.

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

Sec. 6. Minnesota Statutes 2010, section 125A.515, is amended by adding a subdivision to read:

Subd. 3a. **Students without a disability from other states.** A school district is not required to provide education services under this section to a student who:

(1) is not a resident of Minnesota;

(2) does not have an individualized education program; and

(3) does not have a tuition arrangement or agreement to pay the cost of education from the placing authority.

EFFECTIVE DATE. This section is effective July 1, 2011, for fiscal year 2012 and later.

Sec. 7. Minnesota Statutes 2010, section 125A.69, subdivision 1, is amended to read:

Subdivision 1. ~~Two kinds~~ **Admissions.** ~~There are two kinds of Admission to the Minnesota State Academies is described in this section.~~

(a) A pupil who is deaf, hard of hearing, or ~~blind-deaf deafblind~~, may be admitted to the Academy for the Deaf. A pupil who is blind or visually impaired, ~~blind-deaf deafblind~~, or multiply disabled may be admitted to the Academy for the Blind. For a pupil to be admitted, two decisions must be made under sections 125A.03 to 125A.24 and 125A.65.

(1) It must be decided by the individual education planning team that education in regular or special education classes in the pupil's district of residence cannot be achieved satisfactorily because of the nature and severity of the deafness or blindness or visual impairment respectively.

(2) It must be decided by the individual education planning team that the academy provides the most appropriate placement within the least restrictive alternative for the pupil.

(b) A deaf or hard-of-hearing child or a visually impaired pupil may be admitted to get socialization skills or on a short-term basis for skills development.

(c) A parent of a child who resides in Minnesota and who meets the disability criteria for being deaf or hard of hearing, blind or visually impaired, or multiply disabled may apply to place the child in the Minnesota State Academies. Academy staff must review the application to determine whether the Minnesota State Academies is an appropriate placement for the child. If academy staff determine that the Minnesota State Academies is an appropriate placement, the staff must invite the individualized education program team at the child's resident school district to participate in a meeting to arrange a trial placement of between 60 and 90 calendar days at the Minnesota State Academies. If the child's parent consents to the trial placement, the Minnesota State Academies is the responsible serving school district and incurs all due process obligations under law, and the child's resident school district is responsible for any transportation included in the child's individualized education program during the trial placement. Before the trial placement ends, academy staff must convene an individualized education program team meeting to determine whether to continue the child's placement at the Minnesota State Academies or that another placement is appropriate. If the academy members of the individualized education program team and the parent are unable to agree on the child's placement, the child's placement reverts to the placement in the child's individualized education program that immediately preceded the trial placement. If the parent and individualized education program team agree to continue the placement beyond the trial period, the transportation and due process responsibilities are the same as those described for the trial placement under this paragraph.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 8. Minnesota Statutes 2010, section 125A.76, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For the purposes of this section, the definitions in this subdivision apply.

(a) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the purposes of computing basic revenue pursuant to this section, each child with a disability shall be counted as prescribed in section 126C.05, subdivision 1.

(b) "Essential personnel" means teachers, cultural liaisons, related services, and support services staff providing services to students. Essential personnel may also include special education paraprofessionals or clericals providing support to teachers and students by preparing paperwork and making arrangements related to special education compliance requirements, including parent meetings and individual education plans. Essential personnel does not include administrators and supervisors.

(c) "Average daily membership" has the meaning given it in section 126C.05.

(d) "Program growth factor" means ~~1.046~~ 1.02 for fiscal ~~year~~ years 2012 and 2013, and 1.046 in fiscal year 2014 and later.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 9. Minnesota Statutes 2010, section 125A.79, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For the purposes of this section, the definitions in this subdivision apply.

(a) "Unreimbursed special education cost" means the sum of the following:

(1) expenditures for teachers' salaries, contracted services, supplies, equipment, and transportation services eligible for revenue under section 125A.76; plus

(2) expenditures for tuition bills received under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2; minus

(3) revenue for teachers' salaries, contracted services, supplies, equipment, and transportation services under section 125A.76; minus

(4) tuition receipts under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2.

(b) "General revenue" means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding alternative teacher compensation revenue, plus the total qualifying referendum revenue specified in paragraph (e) minus transportation sparsity revenue minus total operating capital revenue.

(c) "Average daily membership" has the meaning given it in section 126C.05.

(d) "Program growth factor" means ~~1.02~~ 1.03 for fiscal ~~year~~ years 2012 and 2013, and 1.02 in fiscal year 2014 and later.

~~(e) "Total qualifying referendum revenue" means two thirds of the district's total referendum revenue as adjusted according to section 127A.47, subdivision 7, paragraphs (a) to (c), for fiscal year 2006, one third of the district's total referendum revenue for fiscal year 2007, and none of the district's total referendum revenue for fiscal year 2008 and later.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 10. Laws 2009, chapter 79, article 5, section 60, as amended by Laws 2009, chapter 173, article 1, section 37, is amended to read:

Sec. 60. Minnesota Statutes 2008, section 256L.05, is amended by adding a subdivision to read:

Subd. 1c. **Open enrollment and streamlined application and enrollment process.** (a) The commissioner and local agencies working in partnership must develop a streamlined and efficient application and enrollment process for medical assistance and MinnesotaCare enrollees that meets the criteria specified in this subdivision.

(b) The commissioners of human services and education shall provide recommendations to the legislature by January 15, 2010, on the creation of an open enrollment process for medical assistance and MinnesotaCare that is coordinated with the public education system. The recommendations must:

(1) be developed in consultation with medical assistance and MinnesotaCare enrollees and representatives from organizations that advocate on behalf of children and families, low-income persons and minority populations, counties, school administrators and nurses, health plans, and health care providers;

(2) be based on enrollment and renewal procedures best practices;

(3) simplify the enrollment and renewal processes wherever possible; and

(4) establish a process:

(i) to disseminate information on medical assistance and MinnesotaCare to all children in the public education system, including prekindergarten programs; and

(ii) for the commissioner of human services to enroll children and other household members who are eligible.

The commissioner of human services in coordination with the commissioner of education shall implement an open enrollment process by August 1, 2010, to be effective beginning with the 2010-2011 school year.

(c) The commissioner and local agencies shall develop an online application process for medical assistance and MinnesotaCare.

(d) The commissioner shall develop an application for children that is easily understandable and does not exceed four pages in length.

(e) The commissioner of human services shall present to the legislature, by January 15, 2010, an implementation plan for the open enrollment period and online application process.

(f) The commissioner of human services, after consulting with the commissioner of education, shall include on new and revised Minnesota health care program application forms, including electronic application forms, an authorization for consent that, if signed by the parent or legal representative of a child receiving health-related services through an individualized education program or an individual family services plan, would allow the school district or other provider of covered services to release information from the child's education record to the commissioner to permit the provider to be reimbursed by MinnesotaCare or medical assistance. The authorization for consent under this paragraph must conform to federal data practices law governing access to nonpublic data in a child's education record and indicate that the parent or legal representative of the child may withdraw his or her consent at any time without any consequence to the parent or child. The commissioner must include this authorization for consent on an application form at the time the commissioner reviews, revises, or replaces the form.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 11. **THIRD-PARTY BILLING.**

(a) To allow cost-effective billing of medical assistance for covered services that are not reimbursed by legally liable third party private payers, the commissioner of human services must:

(1) summarize and document school district efforts to secure reimbursement from legally liable third parties; and

(2) request initial and continuing waivers of the requirement to seek payment from a child's private health plan, consistent with Code of Federal Regulations, title 42, section 433.139, chapter IV, part 433, based on the determination by the Centers for Medicare and Medicaid Services that this requirement is not cost-effective. The waiver request must seek permission for the commissioner to allow school districts to bill Medicaid alone, without first billing private payers, when a child has both public and private coverage.

(b) If the Centers for Medicare and Medicaid Services does not grant ongoing permission to implement paragraph (a), clause (2), the commissioner of human services shall seek permission to implement clause (2) on a time-limited basis, with the opportunity to renew this time-limited permission as needed.

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

Sec. 12. **APPROPRIATIONS.**

Subdivision 1. Department of Education. The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. Special education; regular. For special education aid under Minnesota Statutes, section 125A.75:

<u>\$801,034,000</u>	.....	<u>2012</u>
<u>\$824,025,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$235,975,000 for 2011 and \$565,059,000 for 2012.

The 2013 appropriation includes \$242,168,000 for 2012 and \$581,857,000 for 2013.

Subd. 3. Aid for children with disabilities. For aid under Minnesota Statutes, section 125A.75, subdivision 3, for children with disabilities placed in residential facilities within the district boundaries for whom no district of residence can be determined:

<u>\$1,648,000</u>	.....	<u>2012</u>
<u>\$1,745,000</u>	.....	<u>2013</u>

If the appropriation for either year is insufficient, the appropriation for the other year is available.

Subd. 4. Travel for home-based services. For aid for teacher travel for home-based services under Minnesota Statutes, section 125A.75, subdivision 1:

<u>\$357,000</u>	.....	<u>2012</u>
<u>\$359,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$107,000 for 2011 and \$250,000 for 2012.

The 2013 appropriation includes \$107,000 for 2012 and \$252,000 for 2013.

Subd. 5. Special education; excess costs. For excess cost aid under Minnesota Statutes, section 125A.79, subdivision 7:

<u>\$112,977,000</u>	.....	<u>2012</u>
<u>\$117,289,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$53,449,000 for 2011 and \$59,528,000 for 2012.

The 2013 appropriation includes \$53,980,000 for 2012 and \$61,899,000 for 2013.

Subd. 6. **Court-placed special education revenue.** For reimbursing serving school districts for unreimbursed eligible expenditures attributable to children placed in the serving school district by court action under Minnesota Statutes, section 125A.79, subdivision 4:

<u>\$80,000</u>	.....	<u>2012</u>
<u>\$82,000</u>	.....	<u>2013</u>

Subd. 7. **Special education out-of-state tuition.** For special education out-of-state tuition according to Minnesota Statutes, section 125A.79, subdivision 8:

<u>\$250,000</u>	.....	<u>2012</u>
<u>\$250,000</u>	.....	<u>2013</u>

Sec. 13. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall substitute the term "individualized education program" or similar terms for "individual education plan" or similar terms wherever they appear in Minnesota Statutes and Minnesota Rules referring to the requirements relating to the federal Individuals with Disabilities Education Act. The revisor shall also make grammatical changes related to the changes in terms.

ARTICLE 4
FACILITIES AND TECHNOLOGIES

Section 1. Minnesota Statutes 2010, section 123B.54, is amended to read:

123B.54 DEBT SERVICE APPROPRIATION.

(a) ~~\$17,161,000~~ \$12,425,000 in fiscal year 2012 ~~and \$19,175,000,~~ \$20,458,000 in fiscal year 2013, ~~\$23,759,000~~ in fiscal year 2014, and \$24,072,000 in fiscal year 2015 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

Sec. 2. Minnesota Statutes 2010, section 123B.57, is amended to read:

123B.57 CAPITAL EXPENDITURE; HEALTH AND SAFETY.

Subdivision 1. **Health and safety program revenue application.** (a) To receive health and safety revenue for any fiscal year a district must submit to the commissioner ~~an a capital expenditure health and safety revenue application for aid and levy~~ by the date determined by the commissioner. ~~The application may be for hazardous substance removal, fire and life safety code repairs, labor and industry regulated facility and equipment violations, and health, safety, and environmental management, including indoor air quality management.~~ The application must include a health and safety ~~program~~ budget adopted and confirmed by the school district board as being consistent with the district's health and safety policy under subdivision 2. The ~~program~~ budget must include the estimated cost, ~~per building,~~ of the program per Uniform Financial Accounting and Reporting Standards (UFARS) finance code, by fiscal year. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards and the approval of the Department of Education, a school district may include its proportionate share of the costs of health and safety projects for an intermediate district in its application.

(b) Health and safety projects with an estimated cost of \$500,000 or more per site are not eligible for health and safety revenue. Health and safety projects with an estimated cost of \$500,000 or more per site that meet all other requirements for health and safety funding, are eligible for alternative facilities bonding and levy revenue according to section 123B.59. A school board shall not separate portions of a single project into components to qualify for health and safety revenue, and shall not combine unrelated projects into a single project to qualify for alternative facilities bonding and levy revenue.

(c) The commissioner of education shall not make eligibility for health and safety revenue contingent on a district's compliance status, level of program development, or training. The commissioner shall not mandate additional performance criteria such as training, certifications, or compliance evaluations as a prerequisite for levy approval.

Subd. 2. ~~Contents of program~~ **Health and safety policy.** ~~To qualify for health and safety revenue, a district school board must adopt a health and safety program policy. The program policy must include plans, where applicable, for hazardous substance removal, fire and life safety code repairs, regulated facility and equipment violations, and provisions for implementing a health and safety program that complies with~~ health, safety, and environmental ~~management, regulations and best practices~~ including indoor air quality management.

~~(a) A hazardous substance plan must contain provisions for the removal or encapsulation of asbestos from school buildings or property, asbestos related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, and cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel, oil, and special fuel, as defined in section 296A.01. If a district has already developed a plan for the removal or encapsulation of asbestos as required by the federal Asbestos Hazard Emergency Response Act of 1986, the district may use a summary of that plan, which includes a description and schedule of response actions, for purposes of this section. The plan must also contain provisions to make modifications to existing facilities and equipment necessary to limit personal exposure to hazardous substances, as regulated by the federal Occupational Safety and Health Administration under Code of Federal Regulations, title 29, part 1910, subpart Z; or is determined by the commissioner to present a significant risk to district staff or student health and safety as a result of foreseeable use, handling, accidental spill, exposure, or contamination.~~

~~(b) A fire and life safety plan must contain a description of the current fire and life safety code violations, a plan for the removal or repair of the fire and life safety hazard, and a description of safety preparation and awareness procedures to be followed until the hazard is fully corrected.~~

~~(c) A facilities and equipment violation plan must contain provisions to correct health and safety hazards as provided in Department of Labor and Industry standards pursuant to section 182.655.~~

~~(d) A health, safety, and environmental management plan must contain a description of training, record keeping, hazard assessment, and program management as defined in section 123B.56.~~

~~(e) A plan to test for and mitigate radon produced hazards.~~

~~(f) A plan to monitor and improve indoor air quality.~~

Subd. 3. **Health and safety revenue.** A district's health and safety revenue for a fiscal year equals the district's alternative facilities levy under section 123B.59, subdivision 5, paragraph (b), plus the greater of zero or:

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 through 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 through the fiscal year to which the levy is attributable, excluding expenditures funded with bonds issued under section 123B.59 or 123B.62, or chapter 475; certificates of indebtedness or capital notes under section 123B.61; levies under section 123B.58, 123B.59, 123B.63, or 126C.40, subdivision 1 or 6; and other federal, state, or local revenues, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 through 1989 under sections 124.245 and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years before the fiscal year to which the levy is attributable.

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the adjusted marginal cost pupil units in the district for the school year to which the levy is attributable, to \$2,935.

Subd. 5. **Health and safety aid.** A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire amount permitted, health and safety aid must be reduced in proportion to the actual amount levied. Health and safety aid may not be reduced as a result of reducing a district's health and safety levy according to section 123B.79.

Subd. 6. **Uses of health and safety revenue.** ~~(a) Health and safety revenue may be used only for approved expenditures necessary to correct for the correction of fire and life safety hazards, or for the design, purchase, installation, maintenance, and inspection of fire protection and alarm equipment; purchase or construction of appropriate facilities for the storage of combustible and flammable materials; inventories and facility modifications not related to a remodeling project to comply with lab safety requirements under section 121A.31; inspection, testing, repair, removal or encapsulation, and disposal of asbestos from school buildings or property owned or being acquired by the district, asbestos-related repairs, asbestos-containing building materials; cleanup and disposal of polychlorinated biphenyls found in school buildings or property owned or being acquired by the district, or the cleanup and disposal of hazardous and infectious wastes; cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01, Minnesota; correction of occupational safety and health administration regulated facility and equipment hazards; indoor air quality inspections, investigations, and testing; mold abatement; upgrades or replacement of mechanical ventilation systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers standards and State Mechanical Code; design, materials, and installation of local exhaust ventilation systems, including required make-up air for controlling regulated hazardous substances; correction of Department of Health Food Code and violations; correction of swimming pool hazards excluding depth correction; playground safety inspections, repair of unsafe outdoor playground equipment, and the installation of impact surfacing materials; bleacher repair or rebuilding to comply with the order of a building code inspector under section 326B.112; testing and mitigation of elevated radon hazards; lead testing; copper in water testing; cleanup after major weather-related disasters or flooding; reduction of excessive organic and inorganic levels in wells and capping of abandoned wells; installation and testing of boiler backflow valves to prevent contamination of potable water; vaccinations, titers, and preventative supplies for bloodborne pathogen compliance; costs to comply with the Janet B. Johnson Parents' Right to Know Act; automated external defibrillators and other emergency plan equipment and supplies specific to the district's emergency action plan; and health, safety, and environmental management costs associated with implementing the district's health and safety program including costs to establish and operate safety committees, in school buildings or property owned or being acquired by the district. Testing and calibration activities are permitted for existing mechanical ventilation systems at intervals no less than every five years. Health and safety revenue must not be used to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement. Health and safety revenue must not be used for the construction of new facilities or the purchase of portable classrooms, for interest or other financing expenses, or for energy efficiency projects under section 123B.65. The revenue may not be used for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education.~~

Subd. 6a. **Restrictions on health and safety revenue.** ~~(b) Notwithstanding paragraph (a) subdivision 6, health and safety revenue must not be used;~~

(1) to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement;

(2) for the construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms;

(3) for interest or other financing expenses;

(4) for energy-efficiency projects under section 123B.65, for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education;

(5) for replacement of building materials or facilities including roof, walls, windows, internal fixtures and flooring, nonhealth and safety costs associated with demolition of facilities, structural repair or replacement of facilities due to unsafe conditions, violence prevention and facility security, ergonomics, or public announcement systems and emergency communication devices; or

(6) for building and heating, ventilating and air conditioning supplies, maintenance, and cleaning activities. All assessments, investigations, inventories, and support equipment not leading to the engineering or construction of a project shall be included in the health, safety, and environmental management costs in subdivision 8, paragraph (a).

Subd. 6b. **Health and safety projects.** (a) Health and safety revenue applications defined in subdivision 1 must be accompanied by a description of each project for which funding is being requested. Project descriptions must provide enough detail for an auditor to determine if the work qualifies for revenue. For projects other than fire and life safety projects, playground projects, and health, safety, and environmental management activities, a project description does not need to include itemized details such as material types, room locations, square feet, names, or license numbers. The commissioner may request supporting information and shall approve only projects that comply with subdivisions 6 and 8, as defined by the Department of Education.

(b) Districts may request funding for allowable projects based on self-assessments, safety committee recommendations, insurance inspections, management assistance reports, fire marshal orders, or other mandates. Notwithstanding subdivision 1, paragraph (b), and subdivision 8, paragraph (b), for projects under \$500,000, individual project size for projects authorized by this subdivision is not limited and may include related work in multiple facilities. Health and safety management costs from subdivision 8 may be reported as a single project.

(c) All costs directly related to a project shall be reported in the appropriate Uniform Financial Accounting and Reporting Standards (UFARS) finance code.

(d) For fire and life safety egress and all other projects exceeding \$20,000, cited under Minnesota Fire Code, a fire marshal plan review is required.

(e) Districts shall update project estimates with actual expenditures for each fiscal year. If a project's final cost is significantly higher than originally approved, the commissioner may request additional supporting information.

Subd. 6c. **Appeals process.** In the event a district is denied funding approval for a project the district believes complies with subdivisions 6 and 8, and is not otherwise excluded, a district may appeal the decision. All such requests must be in writing. The commissioner shall respond in writing. A written request must contain the following: project number; description and amount; reason for denial; unresolved questions for consideration; reasons for reconsideration; and a specific statement of what action the district is requesting.

Subd. 7. **Proration.** In the event that the health and safety aid available for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration.

Subd. 8. **Health, safety, and environmental management cost.** (a) "Health, safety, and environmental management" is defined in section 123B.56.

(b) A district's cost for health, safety, and environmental management is limited to the lesser of:

(1) actual cost to implement their plan; or

(2) an amount determined by the commissioner, based on enrollment, building age, and size.

~~(b)~~ (c) The department may contract with regional service organizations, private contractors, Minnesota Safety Council, or state agencies to provide management assistance to school districts for health and safety capital projects. Management assistance is the development of written programs for the identification, recognition and control of hazards, and prioritization and scheduling of district health and safety capital projects. The ~~department~~ commissioner shall not mandate management assistance or exclude private contractors from the opportunity to provide any health and safety services to school districts.

~~(c) Notwithstanding paragraph (b), the department may approve revenue, up to the limit defined in paragraph (a) for districts having an approved health, safety, and environmental management plan that uses district staff to accomplish coordination and provided services.~~

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 3. Minnesota Statutes 2010, section 123B.63, subdivision 3, is amended to read:

Subd. 3. **Capital project levy referendum.** (a) A district may levy the local tax rate approved by a majority of the electors voting on the question to provide funds for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum must be held on a date set by the board. A referendum for a project not receiving a positive review and comment by the commissioner under section 123B.71 must be approved by at least 60 percent of the voters at the election.

(b) The referendum may be called by the school board and may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the capital project levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

(c) The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner, state the maximum amount of the capital project levy as a percentage of net tax capacity, state the amount that will be raised by that local tax rate in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the capital project levy proposed by the board of School District No. be approved?"

If approved, the amount provided by the approved local tax rate applied to the net tax capacity for the year preceding the year the levy is certified may be certified for the number of years, not to exceed ten, approved.

(d) If the district proposes a new capital project to begin at the time the existing capital project expires and at the same maximum tax rate, the general description on the ballot may state that the capital project levy is being renewed and that the tax rate is not being increased from the previous year's rate. An election to renew authority under this paragraph may be called at any time that is otherwise authorized by this subdivision. The ballot notice required under section 275.60 may be modified to read:

"BY VOTING YES ON THIS BALLOT QUESTION, YOU ARE VOTING TO RENEW AN EXISTING CAPITAL PROJECTS REFERENDUM THAT IS SCHEDULED TO EXPIRE."

(e) In the event a conjunctive question proposes to authorize both the capital project levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

(f) The district must notify the commissioner of the results of the referendum.

EFFECTIVE DATE. This section is effective the day following final enactment for referenda conducted on or after the 53rd day following final enactment.

Sec. 4. Minnesota Statutes 2010, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. **To lease building or land.** (a) When an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional purposes or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement

authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed \$150 times the resident pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the Department of Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

(1) the school district has been experiencing pupil enrollment growth in the preceding five years;

(2) the purpose of the increased levy is in the long-term public interest;

(3) the purpose of the increased levy promotes colocation of government services; and

(4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$43 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012 to 2022, a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease ~~purchase~~ agreement for to finance improvements to a building for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e). The total levy authority under this paragraph shall not exceed \$632,000 each year.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and later.

Sec. 5. Laws 1999, chapter 241, article 4, section 25, is amended by adding a subdivision to read:

Subd. 3. **Independent School District No. 284, Wayzata.** Independent School District No. 284, Wayzata, is eligible for the alternative facilities revenue program under Minnesota Statutes, section 123B.59, for the purposes of financing school facilities in the district.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2013 and later.

Sec. 6. **EARLY REPAYMENT.**

A school district that received a maximum effort capital loan prior to January 1, 1997, may repay the full outstanding original principal on its capital loan prior to July 1, 2012, and the liability of the district on the loan is satisfied and discharged and interest on the loan ceases.

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

Sec. 7. **HEALTH AND SAFETY POLICY.**

Notwithstanding Minnesota Statutes, section 123B.57, subdivision 2, a school board that has not yet adopted a health and safety policy by September 30, 2011, may submit an application for health and safety revenue for taxes payable in 2012 in the form and manner specified by the commissioner of education.

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

Sec. 8. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Health and safety revenue.** For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

<u>\$123,000</u>	.....	<u>2012</u>
<u>\$113,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$39,000 for 2011 and \$84,000 for 2012.

The 2013 appropriation includes \$36,000 for 2012 and \$77,000 for 2013.

Subd. 3. **Debt service equalization.** For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

<u>\$12,425,000</u>	.....	<u>2012</u>
<u>\$20,458,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$2,604,000 for 2011 and \$9,821,000 for 2012.

The 2013 appropriation includes \$4,208,000 for 2012 and \$16,250,000 for 2013.

Subd. 4. **Alternative facilities bonding aid.** For alternative facilities bonding aid, according to Minnesota Statutes, section 123B.59, subdivision 1:

<u>\$19,287,000</u>	.....	<u>2012</u>
<u>\$19,287,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$5,786,000 for 2011 and \$13,501,000 for 2012.

The 2013 appropriation includes \$5,786,000 for 2012 and \$13,501,000 for 2013.

Subd. 5. **Equity in telecommunications access.** For equity in telecommunications access:

<u>\$3,750,000</u>	.....	<u>2012</u>
<u>\$3,750,000</u>	.....	<u>2013</u>

If the appropriation amount is insufficient, the commissioner shall reduce the reimbursement rate in Minnesota Statutes, section 125B.26, subdivisions 4 and 5, and the revenue for fiscal years 2012 and 2013 shall be prorated.

Any balance in the first year does not cancel but is available in the second year.

Subd. 6. **Deferred maintenance aid.** For deferred maintenance aid, according to Minnesota Statutes, section 123B.591, subdivision 4:

<u>\$2,494,000</u>	.....	<u>2012</u>
<u>\$3,035,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$676,000 for 2011 and \$1,818,000 for 2012.

The 2013 appropriation includes \$778,000 for 2012 and \$2,257,000 for 2013.

ARTICLE 5 NUTRITION AND ACCOUNTING

Section 1. Minnesota Statutes 2010, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of management and budget must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches \$653,000,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve;

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, ~~paragraph (a), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20,~~ by the same amount;

(5) to the state airports fund, the amount necessary to restore the amount transferred from the state airports fund under Laws 2008, chapter 363, article 11, section 3, subdivision 5; and

(6) to the fire safety account in the special revenue fund, the amount necessary to restore transfers from the account to the general fund made in Laws 2010.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

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

Sec. 2. Minnesota Statutes 2010, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **Levy recognition.** (a) For fiscal years 2009 and 2010, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; and

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus

(iii) zero percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).

(b) For fiscal year 2011 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) the greater of 48.6 percent of the referendum levy certified according to section 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified according to section 126C.17 in calendar year 2000; plus

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus

(iii) 48.6 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, ~~not including the levy portions that are assumed by the state,~~ that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).

EFFECTIVE DATE. This section is effective for fiscal year 2011 and later.

Sec. 3. Minnesota Statutes 2010, section 127A.441, is amended to read:

127A.441 AID REDUCTION; LEVY REVENUE RECOGNITION CHANGE.

(a) Each year, the state aids payable to any school district for that fiscal year that are recognized as revenue in the school district's general and community service funds shall be adjusted by an amount equal to (1) the amount the district recognized as revenue for the prior fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b), minus (2) the amount the district recognized as revenue for the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b). For purposes of making the aid adjustments under this section, the amount the district recognizes as revenue for either the prior fiscal year or the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (b), shall not include any amount levied pursuant to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6. Payment from the permanent school fund shall not be adjusted pursuant to this section.

(b) The commissioner shall schedule the timing of the adjustments under paragraph (a) as close to the end of the fiscal year as possible.

The school district shall be notified of the amount of the adjustment made to each payment pursuant to this section.

EFFECTIVE DATE. This section is effective for fiscal year 2011 and later.

Sec. 4. Minnesota Statutes 2010, section 127A.45, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) "Other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

(b) "Cumulative amount guaranteed" means the product of

(1) the cumulative disbursement percentage shown in subdivision 3; times

(2) the sum of

(i) the current year aid payment percentage of the estimated aid and credit entitlements paid according to subdivision 13; plus

(ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

(iii) the other district receipts.

(c) "Payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

(d) The current year aid payment percentage equals 73 in fiscal year 2010, and 70 in fiscal year 2011, ~~and 90 in fiscal years 2012 and later.~~

Sec. 5. Minnesota Statutes 2010, section 127A.45, subdivision 3, is amended to read:

Subd. 3. **Payment dates and percentages.** (a) The commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (1) the district's other district receipts through the current payment, and (2) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	July 15:	5.5
Payment 2	July 30:	8.0
Payment 3	August 15:	17.5
Payment 4	August 30:	20.0
Payment 5	September 15:	22.5
Payment 6	September 30:	25.0
Payment 7	October 15:	27.0
Payment 8	October 30:	30.0
Payment 9	November 15:	32.5
Payment 10	November 30:	36.5
Payment 11	December 15:	42.0
Payment 12	December 30:	45.0
Payment 13	January 15:	50.0
Payment 14	January 30:	54.0
Payment 15	February 15:	58.0
Payment 16	February 28:	63.0
Payment 17	March 15:	68.0
Payment 18	March 30:	74.0
Payment 19	April 15:	78.0
Payment 20	April 30:	85.0
Payment 21	May 15:	90.0
Payment 22	May 30:	95.0
Payment 23	June 20:	100.0

(b) In addition to the amounts paid under paragraph (a), the commissioner shall pay to a school district on the dates indicated an amount computed as follows:

Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4	August 30:30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6	September 30:40 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8	October 30:30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

(c) In addition to the amounts paid under paragraph (a), the commissioner shall pay to a charter school on the dates indicated an amount computed as follows:

Payment 1 July 15: 90 percent of the final adjustment for the prior fiscal year for all aid entitlements

Payment 8 October 30: 10 percent of the final adjustment for the prior fiscal year for all aid entitlements

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 6. Minnesota Statutes 2010, section 127A.45, is amended by adding a subdivision to read:

Subd. 3a. **Charter school payment dates.** The board of directors of a charter school annually may request that the commissioner of education advance the aid payment schedule under subdivision 3, paragraph (a), if the board can demonstrate to the commissioner's satisfaction that expedited aid payment percentages under the schedule would save the charter school significant interest expenses on cash flow borrowing. The commissioner may determine revised payment percentages and shall notify each qualifying charter school of the new aid payment percentages.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 7. **LEVY AID RECOGNITION TIMING.**

Notwithstanding Minnesota Statutes, section 127A.441, paragraph (b), the commissioner of education shall schedule the portion of the aid adjustment for fiscal year 2011 attributable to the exclusion of levy portions assumed by the state from the levy recognition calculation under Minnesota Statutes, section 123B.75, subdivision 5, to occur with the final payment for fiscal year 2011 made on October 30, 2011.

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

Sec. 8. **FUND TRANSFER; FISCAL YEARS 2012 AND 2013 ONLY.**

(a) Notwithstanding Minnesota Statutes, section 123B.80, subdivision 3, for fiscal years 2012 and 2013 only, the commissioner must approve a request for a fund transfer if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district. This section does not permit transfers from the community service fund or the food service fund.

(b) A school board may approve a fund transfer under paragraph (a) only after adopting a resolution stating the fund transfer will not diminish instructional opportunities for students.

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

Sec. 9. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **School lunch.** For school lunch aid according to Minnesota Statutes, section 124D.111, and Code of Federal Regulations, title 7, section 210.17:

<u>\$12,626,000</u>	<u>.....</u>	<u>2012</u>
<u>\$12,878,000</u>	<u>.....</u>	<u>2013</u>

Subd. 3. **School breakfast.** For traditional school breakfast aid under Minnesota Statutes, section 124D.1158:

<u>\$4,759,000</u>	<u>.....</u>	<u>2012</u>
<u>\$4,875,000</u>	<u>.....</u>	<u>2013</u>

Subd. 4. **Kindergarten milk.** For kindergarten milk aid under Minnesota Statutes, section 124D.118:

<u>\$1,084,000</u>	<u>.....</u>	<u>2012</u>
<u>\$1,105,000</u>	<u>.....</u>	<u>2013</u>

Subd. 5. **Summer food service replacement aid.** For summer food service replacement aid under Minnesota Statutes, section 124D.119:

<u>\$150,000</u>	<u>.....</u>	<u>2012</u>
<u>\$150,000</u>	<u>.....</u>	<u>2013</u>

Sec. 10. **REPEALER.**

Minnesota Statutes 2010, section 127A.46, is repealed.

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

ARTICLE 6 LIBRARIES

Section 1. Minnesota Statutes 2010, section 134.195, subdivision 8, is amended to read:

Subd. 8. **Funding.** The ordinance or resolution establishing the library shall provide for joint financing of the library by the school district and the city. The city shall provide at least the minimum dollar amount established in section 134.34, subdivision 1. The school district shall provide money for staff and materials for the library at least in proportion to the use related to curriculum, as determined by the circulation statistics of the library. ~~Neither the city nor the school district shall reduce the financial support provided for operation of library or media services below the level of support provided in the preceding year.~~

EFFECTIVE DATE. This section is effective for revenue retroactive to fiscal year 2011 and later.

Sec. 2. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Basic system support.** For basic system support grants under Minnesota Statutes, section 134.355:

<u>\$13,570,000</u>	<u>.....</u>	<u>2012</u>
<u>\$13,570,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$4,071,000 for 2011 and \$9,499,000 for 2012.

The 2013 appropriation includes \$4,071,000 for 2012 and \$9,499,000 for 2013.

Subd. 3. **Multicounty, multitype library systems.** For grants under Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

<u>\$1,300,000</u>	.....	<u>2012</u>
<u>\$1,300,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$390,000 for 2011 and \$910,000 for 2012.

The 2013 appropriation includes \$390,000 for 2012 and \$910,000 for 2013.

Subd. 4. **Electronic library for Minnesota.** For statewide licenses to online databases selected in cooperation with the Minnesota Office of Higher Education for school media centers, public libraries, state government agency libraries, and public or private college or university libraries:

<u>\$900,000</u>	.....	<u>2012</u>
<u>\$900,000</u>	.....	<u>2013</u>

Any balance in the first year does not cancel but is available in the second year.

Subd. 5. **Regional library telecommunications aid.** For regional library telecommunications aid under Minnesota Statutes, section 134.355:

<u>\$2,300,000</u>	.....	<u>2012</u>
<u>\$2,300,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$690,000 for 2011 and \$1,610,000 for 2012.

The 2013 appropriation includes \$690,000 for 2012 and \$1,610,000 for 2013.

ARTICLE 7 EARLY CHILDHOOD EDUCATION

Section 1. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **School readiness.** For revenue for school readiness programs under Minnesota Statutes, sections 124D.15 and 124D.16:

<u>\$10,095,000</u>	.....	<u>2012</u>
<u>\$10,095,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$3,028,000 for 2011 and \$7,067,000 for 2012.

The 2013 appropriation includes \$3,028,000 for 2012 and \$7,067,000 for 2013.

Subd. 3. **Early childhood family education aid.** For early childhood family education aid under Minnesota Statutes, section 124D.135:

<u>\$22,466,000</u>	.....	<u>2012</u>
<u>\$23,015,000</u>	.....	<u>2013</u>

The 2012 appropriation includes \$6,542,000 for 2011 and \$15,924,000 for 2012.

The 2013 appropriation includes \$6,824,000 for 2012 and \$16,191,000 for 2013.

Subd. 4. **Health and developmental screening aid.** For health and developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

<u>\$3,568,000</u>	<u>.....</u>	<u>2012</u>
<u>\$3,547,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$1,066,000 for 2011 and \$2,502,000 for 2012.

The 2013 appropriation includes \$1,072,000 for 2012 and \$2,475,000 for 2013.

Subd. 5. **Head Start program.** For Head Start programs under Minnesota Statutes, section 119A.52:

<u>\$20,100,000</u>	<u>.....</u>	<u>2012</u>
<u>\$20,100,000</u>	<u>.....</u>	<u>2013</u>

Subd. 6. **Educate parents partnership.** For the educate parents partnership under Minnesota Statutes, section 124D.129:

<u>\$49,000</u>	<u>.....</u>	<u>2012</u>
<u>\$49,000</u>	<u>.....</u>	<u>2013</u>

Subd. 7. **Kindergarten entrance assessment initiative and intervention program.** For the kindergarten entrance assessment initiative and intervention program under Minnesota Statutes, section 124D.162:

<u>\$281,000</u>	<u>.....</u>	<u>2012</u>
<u>\$281,000</u>	<u>.....</u>	<u>2013</u>

ARTICLE 8 PREVENTION

Section 1. Minnesota Statutes 2010, section 124D.19, subdivision 3, is amended to read:

Subd. 3. **Community education director.** (a) Except as provided under paragraphs (b) and (c), each board shall employ a licensed community education director. The board shall submit the name of the person who is serving as director of community education under this section on the district's annual community education report to the commissioner.

(b) A board may apply to the Minnesota Board of School Administrators under Minnesota Rules, part 3512.3500, subpart 9, for authority to use an individual who is not licensed as a community education director.

(c) A board of a district with a total population of ~~2,000~~ 7,500 or less may identify an employee who holds a valid Minnesota principal or superintendent license under Minnesota Rules, chapter 3512, to serve as director of community education. To be eligible for an exception under this paragraph, the board shall certify in writing to the commissioner that the district has not placed a licensed director of community education on unrequested leave.

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

Sec. 2. **APPROPRIATION.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Community education aid.** For community education aid under Minnesota Statutes, section 124D.20:

<u>\$478,000</u>	<u>.....</u>	<u>2012</u>
<u>\$694,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$134,000 for 2011 and \$344,000 for 2012.

The 2013 appropriation includes \$147,000 for 2012 and \$547,000 for 2013.

Subd. 3. **Adults with disabilities program aid.** For adults with disabilities programs under Minnesota Statutes, section 124D.56:

<u>\$710,000</u>	<u>.....</u>	<u>2012</u>
<u>\$710,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$213,000 for 2011 and \$497,000 for 2012.

The 2013 appropriation includes \$213,000 for 2012 and \$497,000 for 2013.

Subd. 4. **Hearing-impaired adults.** For programs for hearing-impaired adults under Minnesota Statutes, section 124D.57:

<u>\$70,000</u>	<u>.....</u>	<u>2012</u>
<u>\$70,000</u>	<u>.....</u>	<u>2013</u>

Subd. 5. **School-age care revenue.** For extended day aid under Minnesota Statutes, section 124D.22:

<u>\$1,000</u>	<u>.....</u>	<u>2012</u>
<u>\$1,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$0 for 2011 and \$1,000 for 2012.

The 2013 appropriation includes \$0 for 2012 and \$1,000 for 2013.

ARTICLE 9 SELF-SUFFICIENCY AND LIFELONG LEARNING

Section 1. Minnesota Statutes 2010, section 124D.531, subdivision 1, is amended to read:

Subdivision 1. **State total adult basic education aid.** (a) ~~The state total adult basic education aid for fiscal year 2005 is \$36,509,000. The state total adult basic education aid for fiscal year 2006 equals \$36,587,000 plus any amount that is not paid for during the previous fiscal year, as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3. The state total adult basic education aid for fiscal year 2007 equals \$37,673,000 plus any amount that is not paid for during the previous fiscal year, as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3. The state total adult basic education aid for fiscal year 2008~~ 2011 equals \$40,650,000 \$44,419,000, plus any amount that is not paid during the previous fiscal year as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3. The state total adult basic education aid for later fiscal years equals:

(1) the state total adult basic education aid for the preceding fiscal year plus any amount that is not paid for during the previous fiscal year, as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3; times

(2) the lesser of:

(i) ~~1.03~~ 1.01; or

(ii) the average growth in state total contact hours over the prior ten program years.

Beginning in fiscal year 2002, two percent of the state total adult basic education aid must be set aside for adult basic education supplemental service grants under section 124D.522.

(b) The state total adult basic education aid, excluding basic population aid, equals the difference between the amount computed in paragraph (a), and the state total basic population aid under subdivision 2.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2012 and later.

Sec. 2. Minnesota Statutes 2010, section 124D.531, subdivision 4, is amended to read:

Subd. 4. **Adult basic education program aid limit.** (a) Notwithstanding subdivisions 2 and 3, the total adult basic education aid for a program per prior year contact hour must not exceed \$22 per prior year contact hour computed under subdivision 3, clause (2).

~~(b) For fiscal year 2006 and fiscal year 2007, the aid for a program under subdivision 3, clause (2), adjusted for changes in program membership, must not exceed the aid for that program under subdivision 3, clause (2), for the first preceding fiscal year by more than the greater of eight percent or \$10,000.~~

~~(c) For fiscal year 2008, the aid for a program under subdivision 3, clause (2), adjusted for changes in program membership, shall not be limited.~~

~~(d) For fiscal year 2009 and later, The aid for a program under subdivision 3, clause (2), adjusted for changes in program membership, must not exceed the aid for that program under subdivision 3, clause (2), for the first preceding fiscal year by more than the greater of 11 percent or \$10,000.~~

~~(e)~~ (c) Adult basic education aid is payable to a program for unreimbursed costs occurring in the program year as defined in section 124D.52, subdivision 3.

~~(f)~~ (d) Any adult basic education aid that is not paid to a program because of the program aid limitation under paragraph (a) must be added to the state total adult basic education aid for the next fiscal year under subdivision 1. Any adult basic education aid that is not paid to a program because of the program aid limitations under paragraph (b), ~~(c), or (d)~~, must be reallocated among programs by adjusting the rate per contact hour under subdivision 3, clause (2).

Sec. 3. **APPROPRIATIONS.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Adult basic education aid.** For adult basic education aid under Minnesota Statutes, section 124D.531:

<u>\$44,763,000</u>	<u>.....</u>	<u>2012</u>
<u>\$45,168,000</u>	<u>.....</u>	<u>2013</u>

The 2012 appropriation includes \$13,365,000 for 2011 and \$31,398,000 for 2012.

The 2013 appropriation includes \$13,458,000 for 2012 and \$31,712,000 for 2013.

Subd. 3. **GED tests.** For payment of 60 percent of the costs of GED tests under Minnesota Statutes, section 124D.55:

<u>\$125,000</u>	.....	<u>2012</u>
<u>\$125,000</u>	.....	<u>2013</u>

ARTICLE 10
STATE AGENCIES

Section 1. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

Subdivision 1. **Department of Education.** Unless otherwise indicated, the sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. **Department.** (a) For the Department of Education:

<u>\$18,820,000</u>	.....	<u>2012</u>
<u>\$18,820,000</u>	.....	<u>2013</u>

Any balance in the first year does not cancel but is available in the second year.

(b) \$260,000 each year is for the Minnesota Children's Museum.

(c) \$41,000 each year is for the Minnesota Academy of Science.

(d) \$50,000 each year is for the Duluth Children's Museum.

(e) \$618,000 each year is for the Board of Teaching. Any balance in the first year does not cancel but is available in the second year.

(f) \$167,000 each year is for the Board of School Administrators. Any balance in the first year does not cancel but is available in the second year.

(g) The expenditures of federal grants and aids as shown in the biennial budget document and its supplements are approved and appropriated and shall be spent as indicated.

(h) None of the amounts appropriated under this subdivision may be used for Minnesota's Washington, D.C. office.

Subd. 3. **Board of Teaching; licensure by portfolio.** For the Board of Teaching for licensure by portfolio:

<u>\$30,000</u>	.....	<u>2012</u>
<u>\$30,000</u>	.....	<u>2013</u>

This appropriation is from the educator licensure portfolio account of the special revenue fund.

Sec. 2. **APPROPRIATIONS; MINNESOTA STATE ACADEMIES.**

The sums indicated in this section are appropriated from the general fund to the Minnesota State Academies for the Deaf and Blind for the fiscal years designated:

<u>\$11,603,000</u>	.....	<u>2012</u>
<u>\$11,603,000</u>	.....	<u>2013</u>

Any balance in the first year does not cancel but is available in the second year.

Sec. 3. **APPROPRIATIONS; PERPICH CENTER FOR ARTS EDUCATION.**

The sums in this section are appropriated from the general fund to the Perpich Center for Arts Education for the fiscal years designated:

<u>\$6,733,000</u>	.....	<u>2012</u>
<u>\$6,733,000</u>	.....	<u>2013</u>

Any balance in the first year does not cancel, but is available in the second year.

ARTICLE 11
FORECAST ADJUSTMENT

A. GENERAL EDUCATION

Section 1. Laws 2009, chapter 96, article 1, section 24, subdivision 2, as amended by Laws 2010, First Special Session chapter 1, article 3, section 10, is amended to read:

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

\$4,291,422,000	.....	2010
\$ 4,776,884,000 <u>4,832,264,000</u>	.....	2011

The 2010 appropriation includes \$553,591,000 for 2009 and \$3,737,831,000 for 2010.

The 2011 appropriation includes \$1,363,306,000 for 2010 and ~~\$3,413,578,000~~ \$3,468,958,000 for 2011.

Sec. 2. Laws 2009, chapter 96, article 1, section 24, subdivision 3, is amended to read:

Subd. 3. **Enrollment options transportation.** For transportation of pupils attending postsecondary institutions under Minnesota Statutes, section 124D.09, or for transportation of pupils attending nonresident districts under Minnesota Statutes, section 124D.03:

\$48,000	.....	2010
\$ 52,000 <u>29,000</u>	.....	2011

Sec. 3. Laws 2009, chapter 96, article 1, section 24, subdivision 4, as amended by Laws 2010, First Special Session chapter 1, article 4, section 2, is amended to read:

Subd. 4. **Abatement revenue.** For abatement aid under Minnesota Statutes, section 127A.49:

\$1,000,000	.....	2010
\$ 1,132,000 <u>1,127,000</u>	.....	2011

The 2010 appropriation includes \$140,000 for 2009 and \$860,000 for 2010.

The 2011 appropriation includes \$317,000 for 2010 and ~~\$815,000~~ \$810,000 for 2011.

Sec. 4. Laws 2009, chapter 96, article 1, section 24, subdivision 5, as amended by Laws 2010, First Special Session chapter 1, article 4, section 3, is amended to read:

Subd. 5. **Consolidation transition.** For districts consolidating under Minnesota Statutes, section 123A.485:

\$684,000	.....	2010
\$ 576,000 <u>593,000</u>	.....	2011

The 2010 appropriation includes \$0 for 2009 and \$684,000 for 2010.

The 2011 appropriation includes \$252,000 for 2010 and ~~\$324,000~~ \$341,000 for 2011.

Sec. 5. Laws 2009, chapter 96, article 1, section 24, subdivision 6, as amended by Laws 2010, First Special Session chapter 1, article 4, section 4, is amended to read:

Subd. 6. **Nonpublic pupil education aid.** For nonpublic pupil education aid under Minnesota Statutes, sections 123B.40 to 123B.43 and 123B.87:

\$12,861,000	.....	2010
\$ 16,157,000 <u>16,213,000</u>	.....	2011

The 2010 appropriation includes \$1,067,000 for 2009 and \$11,794,000 for 2010.

The 2011 appropriation includes \$4,362,000 for 2010 and ~~\$11,795,000~~ \$11,851,000 for 2011.

Sec. 6. Laws 2009, chapter 96, article 1, section 24, subdivision 7, as amended by Laws 2010, First Special Session chapter 1, article 4, section 5, is amended to read:

Subd. 7. **Nonpublic pupil transportation.** For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

\$17,297,000	.....	2010
\$ 19,729,000 <u>19,387,000</u>	.....	2011

The 2010 appropriation includes \$2,077,000 for 2009 and \$15,220,000 for 2010.

The 2011 appropriation includes \$5,629,000 for 2010 and ~~\$14,100,000~~ \$13,758,000 for 2011.

B. EDUCATION EXCELLENCE

Sec. 7. Laws 2009, chapter 96, article 2, section 67, subdivision 2, as amended by Laws 2010, First Special Session chapter 1, article 4, section 6, is amended to read:

Subd. 2. **Charter school building lease aid.** For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

\$34,833,000	.....	2010
\$ 44,938,000 <u>42,633,000</u>	.....	2011

The 2010 appropriation includes \$3,704,000 for 2009 and \$31,129,000 for 2010.

The 2011 appropriation includes \$11,513,000 for 2010 and ~~\$33,425,000~~ \$31,120,000 for 2011.

Sec. 8. Laws 2009, chapter 96, article 2, section 67, subdivision 3, as amended by Laws 2010, First Special Session chapter 1, article 4, section 7, is amended to read:

Subd. 3. **Charter school startup aid.** For charter school startup cost aid under Minnesota Statutes, section 124D.11:

\$1,218,000	.....	2010
\$ 743,000 <u>654,000</u>	.....	2011

The 2010 appropriation includes \$202,000 for 2009 and \$1,016,000 for 2010.

The 2011 appropriation includes \$375,000 for 2010 and ~~\$368,000~~ \$279,000 for 2011.

Sec. 9. Laws 2009, chapter 96, article 2, section 67, subdivision 4, as amended by Laws 2010, First Special Session chapter 1, article 4, section 8, is amended to read:

Subd. 4. **Integration aid.** For integration aid under Minnesota Statutes, section 124D.86, subdivision 5:

\$50,812,000	.....	2010
\$ 61,782,000 <u>61,604,000</u>	.....	2011

The 2010 appropriation includes \$5,832,000 for 2009 and \$44,980,000 for 2010.

The 2011 appropriation includes \$16,636,000 for 2010 and ~~\$45,146,000~~ \$44,968,000 for 2011.

Sec. 10. Laws 2009, chapter 96, article 2, section 67, subdivision 6, is amended to read:

Subd. 6. **Interdistrict desegregation or integration transportation grants.** For interdistrict desegregation or integration transportation grants under Minnesota Statutes, section 124D.87:

\$14,468,000	.....	2010
\$ 17,582,000 <u>13,393,000</u>	.....	2011

Sec. 11. Laws 2009, chapter 96, article 2, section 67, subdivision 9, as amended by Laws 2010, First Special Session chapter 1, article 4, section 10, is amended to read:

Subd. 9. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

\$1,702,000	.....	2010
\$ 2,119,000 <u>1,958,000</u>	.....	2011

The 2010 appropriation includes \$191,000 for 2009 and \$1,511,000 for 2010.

The 2011 appropriation includes \$558,000 for 2010 and ~~\$1,561,000~~ \$1,400,000 for 2011.

C. SPECIAL EDUCATION

Sec. 12. Laws 2009, chapter 96, article 3, section 21, subdivision 3, is amended to read:

Subd. 3. **Aid for children with disabilities.** For aid under Minnesota Statutes, section 125A.75, subdivision 3, for children with disabilities placed in residential facilities within the district boundaries for whom no district of residence can be determined:

\$1,717,000	.....	2010
\$ 1,895,000 <u>1,554,000</u>	.....	2011

If the appropriation for either year is insufficient, the appropriation for the other year is available.

Sec. 13. Laws 2009, chapter 96, article 3, section 21, subdivision 4, as amended by Laws 2010, First Special Session chapter 1, article 4, section 12, is amended to read:

Subd. 4. **Travel for home-based services.** For aid for teacher travel for home-based services under Minnesota Statutes, section 125A.75, subdivision 1:

\$224,000	.....	2010
\$ 282,000 <u>324,000</u>	.....	2011

The 2010 appropriation includes \$24,000 for 2009 and \$200,000 for 2010.

The 2011 appropriation includes \$73,000 for 2010 and ~~\$209,000~~ \$251,000 for 2011.

D. FACILITIES AND TECHNOLOGY

Sec. 14. Laws 2009, chapter 96, article 4, section 12, subdivision 6, as amended by Laws 2010, First Special Session chapter 1, article 4, section 17, is amended to read:

Subd. 6. **Deferred maintenance aid.** For deferred maintenance aid, according to Minnesota Statutes, section 123B.591, subdivision 4:

\$1,918,000	.....	2010
\$ 2,146,000 <u>2,191,000</u>	.....	2011

The 2010 appropriation includes \$260,000 for 2009 and \$1,658,000 for 2010.

The 2011 appropriation includes \$613,000 for 2010 and ~~\$1,533,000~~ \$1,578,000 for 2011.

E. NUTRITION

Sec. 15. Laws 2009, chapter 96, article 5, section 13, subdivision 2, is amended to read:

Subd. 2. **School lunch.** For school lunch aid according to Minnesota Statutes, section 124D.111, and Code of Federal Regulations, title 7, section 210.17:

\$12,688,000	.....	2010
\$ 13,069,000 <u>12,378,000</u>	.....	2011

Sec. 16. Laws 2009, chapter 96, article 5, section 13, subdivision 3, is amended to read:

Subd. 3. **School breakfast.** For traditional school breakfast aid under Minnesota Statutes, section 124D.1158:

\$4,978,000	.....	2010
\$ 5,147,000 <u>4,646,000</u>	.....	2011

Sec. 17. Laws 2009, chapter 96, article 5, section 13, subdivision 4, as amended by Laws 2010, First Special Session chapter 1, article 4, section 18, is amended to read:

Subd. 4. **Kindergarten milk.** For kindergarten milk aid under Minnesota Statutes, section 124D.118:

\$1,104,000	.....	2010
\$ 1,126,000 <u>1,063,000</u>	.....	2011

F. EARLY CHILDHOOD EDUCATION, PREVENTION,
AND SELF-SUFFICIENCY AND LIFELONG LEARNING

Sec. 18. Laws 2009, chapter 96, article 6, section 11, subdivision 3, as amended by Laws 2010, First Special Session chapter 1, article 4, section 23, is amended to read:

Subd. 3. **Early childhood family education aid.** For early childhood family education aid under Minnesota Statutes, section 124D.135:

\$19,005,000	.....	2010
\$ 21,460,000 <u>21,177,000</u>	.....	2011

The 2010 appropriation includes \$3,020,000 for 2009 and \$15,985,000 for 2010.

The 2011 appropriation includes \$5,911,000 for 2010 and ~~\$15,549,000~~ \$15,266,000 for 2011.

Sec. 19. Laws 2009, chapter 96, article 6, section 11, subdivision 4, as amended by Laws 2010, First Special Session chapter 1, article 4, section 24, is amended to read:

Subd. 4. **Health and developmental screening aid.** For health and developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

\$2,922,000	.....	2010
\$ 3,425,000 <u>3,434,000</u>	.....	2011

The 2010 appropriation includes \$367,000 for 2009 and \$2,555,000 for 2010.

The 2011 appropriation includes \$945,000 for 2010 and ~~\$2,480,000~~ \$2,489,000 for 2011.

Sec. 20. Laws 2009, chapter 96, article 6, section 11, subdivision 8, as amended by Laws 2010, First Special Session chapter 1, article 4, section 25, is amended to read:

Subd. 8. **Community education aid.** For community education aid under Minnesota Statutes, section 124D.20:

\$476,000	.....	2010
\$ 473,000 <u>463,000</u>	.....	2011

The 2010 appropriation includes \$73,000 for 2009 and \$403,000 for 2010.

The 2011 appropriation included \$148,000 for 2010 and ~~\$325,000~~ \$315,000 for 2011.

Sec. 21. Laws 2009, chapter 96, article 6, section 11, subdivision 12, as amended by Laws 2010, First Special Session chapter 1, article 4, section 27, is amended to read:

Subd. 12. **Adult basic education aid.** For adult basic education aid under Minnesota Statutes, section 124D.531:

	\$35,671,000	.....	2010
\$ 42,732,000	<u>42,829,000</u>	.....	2011

The 2010 appropriation includes \$4,187,000 for 2009 and \$31,484,000 for 2010.

The 2011 appropriation includes \$11,644,000 for 2010 and ~~\$31,088,000~~ \$31,185,000 for 2011."

Correct the title numbers accordingly

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

House Conferees: PAT GAROFALO, SONDRRA ERICKSON, TIM KELLY, CONNIE DOEPKE and DAN FABIAN.

Senate Conferees: GEN OLSON, CARLA J. NELSON and BENJAMIN A. KRUSE.

Garofalo moved that the report of the Conference Committee on H. F. No. 934 be adopted and that the bill be repassed as amended by the Conference Committee.

MOTION TO ADJOURN

Thissen moved that the House adjourn.

A roll call was requested and properly seconded.

The question was taken on the Thissen motion and the roll was called. There were 54 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Anzelc	Fritz	Hornstein	Liebling	Mullery	Poppe
Brynaert	Gauthier	Hortman	Lillie	Murphy, E.	Rukavina
Carlson	Greene	Hosch	Loeffler	Murphy, M.	Scalze
Champion	Greiling	Johnson	Mahoney	Nelson	Simon
Clark	Hansen	Kahn	Mariani	Norton	Thissen
Davnie	Hausman	Kath	Marquart	Paymar	Tillberry
Dittrich	Hayden	Knuth	Melin	Pelowski	Wagenius
Eken	Hilstrom	Koenen	Moran	Persell	Ward
Falk	Hilty	Lenczewski	Morrow	Peterson, S.	Winkler

Those who voted in the negative were:

Abeler	Anderson, P.	Barrett	Bills	Crawford	Dean
Anderson, B.	Anderson, S.	Beard	Buesgens	Daudt	Dettmer
Anderson, D.	Banaian	Benson, M.	Cornish	Dauids	Doepke

Downey	Hackbarth	Kiffmeyer	McDonald	Peppin	Stensrud
Drazkowski	Hamilton	Kriesel	McElfatrick	Petersen, B.	Swedzinski
Erickson	Hancock	Lanning	McFarlane	Quam	Torkelson
Fabian	Holberg	Leidiger	McNamara	Runbeck	Urdahl
Franson	Hoppe	LeMieur	Murdock	Sanders	Vogel
Garofalo	Howes	Lohmer	Murray	Schomacker	Wardlow
Gottwalt	Kelly	Loon	Myhra	Scott	Westrom
Gruenhagen	Kieffer	Mack	Nornes	Shimanski	Woodard
Gunther	Kiel	Mazorol	O'Driscoll	Smith	Spk. Zellers

The motion did not prevail.

The Speaker called Davids to the Chair.

Gauthier was excused for the remainder of today's session.

MOTION TO ADJOURN

Thissen moved that the House adjourn.

A roll call was requested and properly seconded.

The question was taken on the Thissen motion and the roll was called. There were 51 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Anzelc	Fritz	Hortman	Lillie	Nelson	Simon
Brynaert	Greene	Hosch	Mariani	Norton	Thissen
Carlson	Greiling	Johnson	Marquart	Paymar	Tillberry
Champion	Hansen	Kahn	Melin	Pelowski	Wagenius
Clark	Hausman	Kath	Moran	Persell	Ward
Davnie	Hayden	Knuth	Morrow	Peterson, S.	Winkler
Dittrich	Hilstrom	Koenen	Mullery	Poppe	
Eken	Hilty	Lenczewski	Murphy, E.	Rukavina	
Falk	Hornstein	Liebling	Murphy, M.	Scalze	

Those who voted in the negative were:

Abeler	Crawford	Gottwalt	Kiffmeyer	McNamara	Scott
Anderson, B.	Daudt	Gruenhagen	Kriesel	Murdock	Shimanski
Anderson, D.	Davids	Gunther	Lanning	Murray	Smith
Anderson, P.	Dean	Hackbarth	Leidiger	Myhra	Stensrud
Anderson, S.	Dettmer	Hamilton	LeMieur	Nornes	Swedzinski
Banaian	Doepke	Hancock	Lohmer	O'Driscoll	Torkelson
Barrett	Downey	Holberg	Loon	Peppin	Urdahl
Beard	Drazkowski	Hoppe	Mack	Petersen, B.	Vogel
Benson, M.	Erickson	Howes	Mazorol	Quam	Wardlow
Bills	Fabian	Kelly	McDonald	Runbeck	Westrom
Buesgens	Franson	Kieffer	McElfatrick	Sanders	Woodard
Cornish	Garofalo	Kiel	McFarlane	Schomacker	Spk. Zellers

The motion did not prevail.

POINT OF ORDER

Dean raised a point of order pursuant to section 114, paragraph 6, of "Mason's Manual of Legislative Procedure," relating to Asking Questions of Members. Speaker pro tempore Davids ruled the point of order not well taken.

Speaker pro tempore Davids called Lanning to the Chair.

CALL OF THE HOUSE

On the motion of Hilstrom and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Anderson, B.	Dettmer	Hilty	Liebling	Nelson	Smith
Anderson, P.	Dittrich	Holberg	Lillie	Nornes	Stensrud
Anderson, S.	Doepke	Hoppe	Loeffler	Norton	Swedzinski
Anzelc	Downey	Hornstein	Lohmer	O'Driscoll	Thissen
Banaian	Drazkowski	Hosch	Loon	Paymar	Tillberry
Barrett	Eken	Howes	Mahoney	Pelowski	Torkelson
Beard	Erickson	Johnson	Mariani	Peppin	Urdahl
Benson, M.	Fabian	Kahn	Marquart	Persell	Vogel
Bills	Falk	Kath	Mazorol	Petersen, B.	Wagenius
Brynaert	Garofalo	Kelly	McElfrick	Peterson, S.	Ward
Buesgens	Gottwalt	Kieffer	McFarlane	Poppe	Wardlow
Carlson	Greene	Kiel	McNamara	Quam	Westrom
Champion	Greiling	Kiffmeyer	Melin	Rukavina	Winkler
Clark	Gruenhagen	Knuth	Moran	Runbeck	Woodard
Cornish	Hackbarth	Koenen	Morrow	Sanders	Spk. Zellers
Crawford	Hancock	Kriesel	Murdock	Scalze	
Daudt	Hansen	Lanning	Murphy, E.	Schomacker	
Davids	Hausman	Leidiger	Murphy, M.	Scott	
Davnie	Hayden	LeMieur	Murray	Shimanski	
Dean	Hilstrom	Lenczewski	Myhra	Simon	

Dean moved that further proceedings of the roll call be suspended and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

The question recurred on the Garofalo motion that the report of the Conference Committee on H. F. No. 934 be adopted and that the bill be repassed as amended by Conference. The motion prevailed.

H. F. No. 934, A bill for an act relating to education; providing for policy and funding for family, adult, and prekindergarten through grade 12 education including general education, academic excellence, special education, facilities and technology, nutrition and accounting, libraries, early childhood education, prevention, self-sufficiency and lifelong learning, state agencies, and forecast adjustments; requiring reports; requiring studies; appropriating money; amending Minnesota Statutes 2010, sections 13D.02, by adding a subdivision; 16A.152, subdivision 2; 93.22, subdivision 1; 93.2236; 120A.41; 120B.023, subdivision 2; 120B.07; 120B.30, subdivision 1, by adding a subdivision; 120B.35, subdivision 1; 120B.36, subdivision 1; 122A.40, subdivisions 5, 6, 7, 8, 9, 10, 11, by adding subdivisions; 122A.41, subdivisions 2, 3, 4, 5, 6, 14, by adding a subdivision; 122A.414, subdivisions 1a, 2, 2a, 2b, 4; 122A.416; 122A.60; 122A.61, subdivision 1; 123A.55; 123B.02, subdivision 15; 123B.09, subdivision 8; 123B.143, subdivision 1; 123B.54; 123B.59, subdivision 5; 123B.75, subdivision 5; 124D.10, subdivision 3; 124D.19, subdivision 3; 124D.531, subdivision 1; 124D.86, subdivision 3; 125A.07; 125A.21, subdivisions 2, 3, 5, 7;

125A.515, by adding a subdivision; 125A.69, subdivision 1; 125A.76, subdivision 1; 125A.79, subdivision 1; 126C.10, subdivisions 1, 2, 2a, 3, 7, 8, 8a, 13a, 14, by adding a subdivision; 126C.126; 126C.20; 126C.40, subdivision 1; 126C.44; 127A.33; 127A.441; 127A.45, subdivision 2; 179A.16, subdivision 1; 179A.18, subdivisions 1, 3; 298.28, subdivisions 2, 4; Laws 2009, chapter 79, article 5, section 60, as amended; Laws 2009, chapter 96, article 1, section 24, subdivisions 2, as amended, 3, 4, as amended, 5, as amended, 6, as amended, 7, as amended; article 2, section 67, subdivisions 2, as amended, 3, as amended, 4, as amended, 6, 9, as amended; article 3, section 21, subdivisions 3, 4, as amended; article 4, section 12, subdivision 6, as amended; article 5, section 13, subdivisions 2, 3, 4, as amended; article 6, section 11, subdivisions 3, as amended, 4, as amended, 8, as amended, 12, as amended; proposing coding for new law in Minnesota Statutes, chapters 120B; 122A; 124D; 179A; repealing Minnesota Statutes 2010, sections 122A.61; 123B.05; 123B.59, subdivisions 6, 7; 124D.86, subdivisions 1, 1a, 2, 4, 5, 6; 126C.10, subdivision 5; 127A.46; 129C.10, subdivisions 1, 2, 3, 3a, 4, 6, 7, 8; 129C.105; 129C.15; 129C.20; 129C.25; 129C.26; 179A.18, subdivision 2; Laws 2009, chapter 88, article 12, section 23.

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 70 yeas and 55 nays as follows:

Those who voted in the affirmative were:

Abeler	Daudt	Gruenhagen	Lanning	Murray	Smith
Anderson, B.	Dauids	Gunther	Leidiger	Myhra	Stensrud
Anderson, D.	Dean	Hamilton	LeMieur	Nornes	Swedzinski
Anderson, P.	Dettmer	Hancock	Lohmer	O'Driscoll	Torkelson
Anderson, S.	Doepke	Holberg	Loon	Peppin	Urdahl
Banaian	Downey	Hoppe	Mack	Petersen, B.	Vogel
Barrett	Drazkowski	Howes	Mazorol	Quam	Wardlow
Beard	Erickson	Kelly	McDonald	Runbeck	Westrom
Benson, M.	Fabian	Kieffer	McElfatrick	Sanders	Woodard
Bills	Franson	Kiel	McFarlane	Schomacker	Spk. Zellers
Cornish	Garofalo	Kiffmeyer	McNamara	Scott	
Crawford	Gottwalt	Kriesel	Murdock	Shimanski	

Those who voted in the negative were:

Anzelc	Fritz	Hortman	Loeffler	Nelson	Thissen
Brynaert	Greene	Hosch	Mahoney	Norton	Tillberry
Buesgens	Greiling	Johnson	Mariani	Paymar	Wagenius
Carlson	Hackbarth	Kahn	Marquart	Pelowski	Ward
Champion	Hansen	Kath	Melin	Persell	Winkler
Clark	Hausman	Knuth	Moran	Peterson, S.	
Davnie	Hayden	Koenen	Morrow	Poppe	
Dittrich	Hilstrom	Lenczewski	Mullery	Rukavina	
Eken	Hilty	Liebling	Murphy, E.	Scalze	
Falk	Hornstein	Lillie	Murphy, M.	Simon	

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

The Speaker resumed the Chair.

Fritz, Hayden and Greiling were excused for the remainder of today's session.

The Conference Committee report on H. F. No. 1010 was reported to the House.

Thissen moved to postpone the consideration of H. F. No. 1010, as amended by Conference, until Wednesday, May 18, 2011.

A roll call was requested and properly seconded.

The question was taken on the Thissen motion and the roll was called. There were 49 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Anzelc	Greene	Kahn	Mariani	Norton	Thissen
Brynaert	Hansen	Kath	Marquart	Paymar	Wagenius
Carlson	Hausman	Knuth	Melin	Pelowski	Ward
Champion	Hilstrom	Koenen	Moran	Persell	Winkler
Clark	Hilty	Lenczewski	Morrow	Peterson, S.	
Davnie	Hornstein	Liebling	Mullery	Poppe	
Dittrich	Hortman	Lillie	Murphy, E.	Rukavina	
Eken	Hosch	Loeffler	Murphy, M.	Scalze	
Falk	Johnson	Mahoney	Nelson	Simon	

Those who voted in the negative were:

Abeler	Crawford	Gottwalt	Kiffmeyer	McNamara	Scott
Anderson, B.	Daudt	Gruenhagen	Kriesel	Murdock	Shimanski
Anderson, D.	Davids	Gunther	Lanning	Murray	Smith
Anderson, P.	Dean	Hackbarth	Leidiger	Myhra	Stensrud
Anderson, S.	Dettmer	Hamilton	LeMieur	Nornes	Swedzinski
Banaian	Doepke	Hancock	Lohmer	O'Driscoll	Torkelson
Barrett	Downey	Holberg	Loon	Peppin	Urdahl
Beard	Draskowski	Hoppe	Mack	Petersen, B.	Vogel
Benson, M.	Erickson	Howes	Mazorol	Quam	Wardlow
Bills	Fabian	Kelly	McDonald	Runbeck	Westrom
Buesgens	Franson	Kieffer	McElpatrick	Sanders	Woodard
Cornish	Garofalo	Kiel	McFarlane	Schomacker	Spk. Zellers

The motion did not prevail.

ADJOURNMENT

Dean moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 3:00 p.m., Wednesday, May 18, 2011.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives