STATE OF MINNESOTA

Journal of the Senate

EIGHTIETH LEGISLATURE

FORTY-SECOND DAY

St. Paul, Minnesota, Friday, April 18, 1997

The Senate met at 9:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Rufus Thibodeaux.

The roll was called, and the following Senators answered to their names:

Anderson	Higgins	Laidig	Oliver	Scheevel
Beckman	Hottinger	Langseth	Olson	Scheid
Belanger	Janezich	Larson	Ourada	Solon
Berg	Johnson, D.E.	Lesewski	Pappas	Spear
Berglin	Johnson, D.H.	Lessard	Pariseau	Stevens
Betzold	Johnson, D.J.	Limmer	Piper	Stumpf
Cohen	Johnson, J.B.	Lourey	Pogemiller	Ten Eyck
Day	Junge	Marty	Price	Terwilliger
Dille	Kelley, S.P.	Metzen	Ranum	Vickerman
Fischbach	Kelly, R.C.	Moe, R.D.	Robertson	Wiener
Flynn	Kiscaden	Morse	Robling	Wiger
Foley	Kleis	Murphy	Runbeck	
Frederickson	Knutson	Neuville	Sams	
Hanson	Krentz	Novak	Samuelson	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 2147.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 17, 1997

FIRST READING OF HOUSE BILLS

The following bill was read the first time.

H.F. No. 2147: A bill for an act relating to education; providing for early childhood education,

community, prevention, and self-sufficiency programs; appropriating money; amending Minnesota Statutes 1996, sections 12.21, subdivision 3; 15.53, subdivision 2; 119A.01, subdivision 3; 119A.04, subdivision 6, and by adding a subdivision; 119A.13, subdivisions 2, 3, and 4; 119A.14; 119A.15, subdivisions 2, 5, and by adding a subdivision; 119A.16; 119A.31, subdivisions 1 and 2; 119B.01, subdivisions 8, 9, 12, 16, 17, and by adding subdivisions; 119B.02; 119B.03, subdivisions 3, 4, 5, 6, 7, 8, and by adding subdivisions; 119B.04; 119B.05, subdivisions 1, 5, 6, and by adding a subdivision; 119B.07; 119B.08, subdivisions 1 and 3; 119B.09, subdivisions 1, 2, and by adding subdivisions; 119B.10, subdivision 1; 119B.11, subdivisions 1, 3, and by adding a subdivision; 119B.12; 119B.13, subdivision 1, and by adding subdivisions; 119B.15; 119B.16, subdivision 1; 119B.18, by adding a subdivision; 119B.20, subdivisions 7, 9, and 10; 119B.21, subdivisions 1, 2, 3, 4, 5, 6, 8, 9, 10, and 11; 120.05, subdivision 2; 121.831, subdivisions 3 and 4; 121.8355, subdivision 1; 121.88, subdivisions 1, 10, and by adding a subdivision; 121.882, subdivisions 2 and 6; 124.17, subdivision 2e; 124.26, subdivision 2, and by adding a subdivision; 124.2601, subdivisions 3, 4, 5, 6, and by adding a subdivision; 124.261, subdivision 1; 124.2615, subdivisions 1 and 2; 124.2711, subdivisions 1 and 2a; 124.2713, subdivisions 6 and 8; 124.2716, subdivision 3; 268.38, by adding a subdivision; 268.53, subdivision 5; 268.55, by adding a subdivision; 268.912; 268.913, subdivisions 2 and 4; and 268.914, subdivision 1; Laws 1996, chapter 463, section 4, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 119A; and 119B; repealing Minnesota Statutes 1996, sections 119B.03, subdivision 7; 119B.05, subdivisions 2 and 3; 119B.11, subdivision 2; 119B.19, subdivision 2; 119B.21, subdivision 7; 121.8355, subdivision 1a; and 268.913, subdivision 5.

Mr. Moe, R.D. moved that H.F. No. 2147 be laid on the table. The motion prevailed.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Mr. Cohen from the Committee on State Government Finance, to which was re-referred

S.F. No. 215: A bill for an act relating to appropriations; clarifying grant matching requirements for the Jungle Theatre in Minneapolis; amending Laws 1996, chapter 463, section 24, subdivision 8.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Laws 1994, chapter 643, section 3, subdivision 2, is amended to read:

Subd. 2. Restore and Renovate Capitol Building Exterior	5,000,000
To the commissioner of administration to renovate and improve the capitol including reroofing, repair of the roof balustrade, ~~and~~ Quadriga restoration, and for an exterior stone testing program. No more than $35,000 of this appropriation is to the capitol area architectural and planning board for design review fees.	

Sec. 2. Laws 1994, chapter 643, section 15, subdivision 2, is amended to read:

Subd. 2. Bloomington Ferry Bridge	~~7,631,000~~ 5,131,000
This appropriation is from the state transportation fund as provided in Minnesota	

Statutes, section 174.50, to match federal funds to complete construction of the Bloomington ferry bridge and approaches.

This appropriation is added to the appropriation in Laws 1993, chapter 373, section 14, subdivision 2.

Sec. 3. Laws 1994, chapter 643, section 15, subdivision 4, is amended to read:

Subd. 4. Local Bridge Replacement and Rehabilitation ~~12,445,000~~ 14,945,000

This appropriation is from the state transportation fund as provided in Minnesota Statutes, section 174.50, to match federal funds and to replace or rehabilitate local deficient bridges.

Political subdivisions may use grants made under this section to construct or reconstruct bridges, including:

(1) matching federal-aid grants to construct or reconstruct key bridges;

(2) paying the costs to abandon an existing bridge that is deficient and in need of replacement, but where no replacement will be made;

(3) paying the costs to construct a road or street to facilitate the abandonment of an existing bridge determined by the commissioner to be deficient, if the commissioner determines that construction of the road or street is more cost-efficient than the replacement of the existing bridge; and

(4) paying the costs of preliminary engineering and environmental studies authorized under Minnesota Statutes, section 174.50, subdivision 6a.

Sec. 4. Laws 1996, chapter 463, section 13, subdivision 2, is amended to read:

Subd. 2. Capital Asset Preservation and Replacement (CAPRA) 12,000,000

To be spent in accordance with Minnesota Statutes, section 16A.632.

Up to $900,000 of the money appropriated in this subdivision may be used as necessary to renovate the Governor's Residence in St. Paul for life safety, code, security, and ancillary storage facility improvements.

Up to $600,000 of the money appropriated in this subdivision may be used to continue the electrical utility infrastructure conversion of the primary feeder loop system to a primary

selective system by rerouting the system around the capitol.

In accordance with Minnesota Statutes, section 16B.31, subdivision 6, the commissioner of administration shall identify the condition and suitability of all major state buildings and office space and report the commissioner's findings by June 30, 1997, to the chairs of the senate committee on finance and the house of representatives committees on ways and means and on capital investment. The report must identify the useful life, the current condition, the estimated cost of currently needed repairs, and the suitability for the current state purposes of all major state-owned buildings and office space owned or leased by the state. The legislature intends to use the report in considering future appropriations to the commissioner of administration and to state agencies for asset preservation.

Sec. 5. Laws 1996, chapter 463, section 13, subdivision 4, is amended to read:

Subd. 4. Renovate Capitol Building 7,400,000

~~$4,800,000~~ $3,765,000 is to predesign, design, and reconstruct the northeast terrace and predesign and design the northwest ~~terraces~~ terrace of the capitol building.

$1,400,000 is to renovate the lantern and related structures on the capitol dome.

~~$1,200,000~~ $2,235,000 is to predesign, design, construct, furnish, and equip the renovation of the capitol cafeteria and related spaces.

The balance of the appropriation in this subdivision that is not needed for the projects specified may be used for other structural stabilization projects at the capitol or to improve the capitol mall.

Sec. 6. Laws 1996, chapter 463, section 24, subdivision 8, is amended to read:

Subd. 8. Lyn/Lake ~~/Jungle Theatre~~ Performing Arts Center 335,000

For a grant to Hennepin county to design, construct, furnish, and equip the Lyn/Lake~~/Jungle Theatre~~ community performing arts center to provide a community theater and rehearsal space, offices, classrooms and meeting rooms for performing arts organizations, arts education and arts development and outreach in a tax-forfeited structure in Hennepin county. Hennepin county may contract with a non-profit

organization for operation of the center, subject to Minnesota Statutes, section 16A.695. This appropriation is not available until the commissioner has determined that at least $1,630,000 has been committed by nonstate sources to complete the ~~Lyn/Lake~~/Jungle Theatre main stage in a nearby building owned and operated by the Jungle Theater and that $100,000 has been committed by non-state sources to complete the community performing arts center. This is the final state appropriation for this project.

Sec. 7. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to state government; modifying previous appropriations for certain capital improvements; amending Laws 1994, chapter 643, sections 3, subdivision 2, and 15, subdivisions 2 and 4; Laws 1996, chapter 463, sections 13, subdivisions 2 and 4, and 24, subdivision 8."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Ms. Berglin from the Committee on Human Resources Finance, to which was referred

S.F. No. 1894: A bill for an act relating to flood relief; appropriating money.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 3, insert:

"Section 1. Minnesota Statutes 1996, section 144A.071, subdivision 4a, is amended to read:

Subd. 4a. [EXCEPTIONS FOR REPLACEMENT BEDS.] It is in the best interest of the state to ensure that nursing homes and boarding care homes continue to meet the physical plant licensing and certification requirements by permitting certain construction projects. Facilities should be maintained in condition to satisfy the physical and emotional needs of residents while allowing the state to maintain control over nursing home expenditure growth.

The commissioner of health in coordination with the commissioner of human services, may approve the renovation, replacement, upgrading, or relocation of a nursing home or boarding care home, under the following conditions:

(a) to license or certify beds in a new facility constructed to replace a facility or to make repairs in an existing facility that was destroyed or damaged after June 30, 1987, by fire, lightning, or other hazard provided:

(i) destruction was not caused by the intentional act of or at the direction of a controlling person of the facility;

(ii) at the time the facility was destroyed or damaged the controlling persons of the facility maintained insurance coverage for the type of hazard that occurred in an amount that a reasonable person would conclude was adequate;

(iii) the net proceeds from an insurance settlement for the damages caused by the hazard are applied to the cost of the new facility or repairs;

(iv) the new facility is constructed on the same site as the destroyed facility or on another site subject to the restrictions in section 144A.073, subdivision 5;

(v) the number of licensed and certified beds in the new facility does not exceed the number of licensed and certified beds in the destroyed facility; and

(vi) the commissioner determines that the replacement beds are needed to prevent an inadequate supply of beds.

Project construction costs incurred for repairs authorized under this clause shall not be considered in the dollar threshold amount defined in subdivision 2;

(b) to license or certify beds that are moved from one location to another within a nursing home facility, provided the total costs of remodeling performed in conjunction with the relocation of beds does not exceed 25 percent of the appraised value of the facility or $500,000, whichever is less;

(c) to license or certify beds in a project recommended for approval under section 144A.073;

(d) to license or certify beds that are moved from an existing state nursing home to a different state facility, provided there is no net increase in the number of state nursing home beds;

(e) to certify and license as nursing home beds boarding care beds in a certified boarding care facility if the beds meet the standards for nursing home licensure, or in a facility that was granted an exception to the moratorium under section 144A.073, and if the cost of any remodeling of the facility does not exceed 25 percent of the appraised value of the facility or $500,000, whichever is less. If boarding care beds are licensed as nursing home beds, the number of boarding care beds in the facility must not increase beyond the number remaining at the time of the upgrade in licensure. The provisions contained in section 144A.073 regarding the upgrading of the facilities do not apply to facilities that satisfy these requirements;

(f) to license and certify up to 40 beds transferred from an existing facility owned and operated by the Amherst H. Wilder Foundation in the city of St. Paul to a new unit at the same location as the existing facility that will serve persons with Alzheimer's disease and other related disorders. The transfer of beds may occur gradually or in stages, provided the total number of beds transferred does not exceed 40. At the time of licensure and certification of a bed or beds in the new unit, the commissioner of health shall delicense and decertify the same number of beds in the existing facility. As a condition of receiving a license or certification under this clause, the facility must make a written commitment to the commissioner of human services that it will not seek to receive an increase in its property-related payment rate as a result of the transfers allowed under this paragraph;

(g) to license and certify nursing home beds to replace currently licensed and certified boarding care beds which may be located either in a remodeled or renovated boarding care or nursing home facility or in a remodeled, renovated, newly constructed, or replacement nursing home facility within the identifiable complex of health care facilities in which the currently licensed boarding care beds are presently located, provided that the number of boarding care beds in the facility or complex are decreased by the number to be licensed as nursing home beds and further provided that, if the total costs of new construction, replacement, remodeling, or renovation exceed ten percent of the appraised value of the facility or $200,000, whichever is less, the facility makes a written commitment to the commissioner of human services that it will not seek to receive an increase in its property-related payment rate by reason of the new construction, replacement, remodeling, or renovation. The provisions contained in section 144A.073 regarding the upgrading of facilities do not apply to facilities that satisfy these requirements;

(h) to license as a nursing home and certify as a nursing facility a facility that is licensed as a boarding care facility but not certified under the medical assistance program, but only if the commissioner of human services certifies to the commissioner of health that licensing the facility as a nursing home and certifying the facility as a nursing facility will result in a net annual savings to the state general fund of $200,000 or more;

(i) to certify, after September 30, 1992, and prior to July 1, 1993, existing nursing home beds in a facility that was licensed and in operation prior to January 1, 1992;

(j) to license and certify new nursing home beds to replace beds in a facility condemned as part of an economic redevelopment plan in a city of the first class, provided the new facility is located within one mile of the site of the old facility. Operating and property costs for the new facility must be determined and allowed under existing reimbursement rules;

(k) to license and certify up to 20 new nursing home beds in a community-operated hospital and attached convalescent and nursing care facility with 40 beds on April 21, 1991, that suspended operation of the hospital in April 1986. The commissioner of human services shall provide the facility with the same per diem property-related payment rate for each additional licensed and certified bed as it will receive for its existing 40 beds;

(l) to license or certify beds in renovation, replacement, or upgrading projects as defined in section 144A.073, subdivision 1, so long as the cumulative total costs of the facility's remodeling projects do not exceed 25 percent of the appraised value of the facility or $500,000, whichever is less;

(m) to license and certify beds that are moved from one location to another for the purposes of converting up to five four-bed wards to single or double occupancy rooms in a nursing home that, as of January 1, 1993, was county-owned and had a licensed capacity of 115 beds;

(n) to allow a facility that on April 16, 1993, was a 106-bed licensed and certified nursing facility located in Minneapolis to layaway all of its licensed and certified nursing home beds. These beds may be relicensed and recertified in a newly-constructed teaching nursing home facility affiliated with a teaching hospital upon approval by the legislature. The proposal must be developed in consultation with the interagency committee on long-term care planning. The beds on layaway status shall have the same status as voluntarily delicensed and decertified beds, except that beds on layaway status remain subject to the surcharge in section 256.9657. This layaway provision expires July 1, 1997;

(o) to allow a project which will be completed in conjunction with an approved moratorium exception project for a nursing home in southern Cass county and which is directly related to that portion of the facility that must be repaired, renovated, or replaced, to correct an emergency plumbing problem for which a state correction order has been issued and which must be corrected by August 31, 1993;

(p) to allow a facility that on April 16, 1993, was a 368-bed licensed and certified nursing facility located in Minneapolis to layaway, upon 30 days prior written notice to the commissioner, up to 30 of the facility's licensed and certified beds by converting three-bed wards to single or double occupancy. Beds on layaway status shall have the same status as voluntarily delicensed and decertified beds except that beds on layaway status remain subject to the surcharge in section 256.9657, remain subject to the license application and renewal fees under section 144A.07 and shall be subject to a $100 per bed reactivation fee. In addition, at any time within three years of the effective date of the layaway, the beds on layaway status may be:

(1) relicensed and recertified upon relocation and reactivation of some or all of the beds to an existing licensed and certified facility or facilities located in Pine River, Brainerd, or International Falls; provided that the total project construction costs related to the relocation of beds from layaway status for any facility receiving relocated beds may not exceed the dollar threshold provided in subdivision 2 unless the construction project has been approved through the moratorium exception process under section 144A.073;

(2) relicensed and recertified, upon reactivation of some or all of the beds within the facility which placed the beds in layaway status, if the commissioner has determined a need for the reactivation of the beds on layaway status.

The property-related payment rate of a facility placing beds on layaway status must be adjusted by the incremental change in its rental per diem after recalculating the rental per diem as provided

in section 256B.431, subdivision 3a, paragraph (d). The property-related payment rate for a facility relicensing and recertifying beds from layaway status must be adjusted by the incremental change in its rental per diem after recalculating its rental per diem using the number of beds after the relicensing to establish the facility's capacity day divisor, which shall be effective the first day of the month following the month in which the relicensing and recertification became effective. Any beds remaining on layaway status more than three years after the date the layaway status became effective must be removed from layaway status and immediately delicensed and decertified;

(q) to license and certify beds in a renovation and remodeling project to convert 13 three-bed wards into 13 two-bed rooms and 13 single-bed rooms, expand space, and add improvements in a nursing home that, as of January 1, 1994, met the following conditions: the nursing home was located in Ramsey county; was not owned by a hospital corporation; had a licensed capacity of 64 beds; and had been ranked among the top 15 applicants by the 1993 moratorium exceptions advisory review panel. The total project construction cost estimate for this project must not exceed the cost estimate submitted in connection with the 1993 moratorium exception process;

(r) to license and certify beds in a renovation and remodeling project to convert 12 four-bed wards into 24 two-bed rooms, expand space, and add improvements in a nursing home that, as of January 1, 1994, met the following conditions: the nursing home was located in Ramsey county; had a licensed capacity of 154 beds; and had been ranked among the top 15 applicants by the 1993 moratorium exceptions advisory review panel. The total project construction cost estimate for this project must not exceed the cost estimate submitted in connection with the 1993 moratorium exception process;

(s) to license and certify up to 117 beds that are relocated from a licensed and certified 138-bed nursing facility located in St. Paul to a hospital with 130 licensed hospital beds located in South St. Paul, provided that the nursing facility and hospital are owned by the same or a related organization and that prior to the date the relocation is completed the hospital ceases operation of its inpatient hospital services at that hospital. After relocation, the nursing facility's status under section 256B.431, subdivision 2j, shall be the same as it was prior to relocation. The nursing facility's property-related payment rate resulting from the project authorized in this paragraph shall become effective no earlier than April 1, 1996. For purposes of calculating the incremental change in the facility's rental per diem resulting from this project, the allowable appraised value of the nursing facility portion of the existing health care facility physical plant prior to the renovation and relocation may not exceed $2,490,000;

(t) to license and certify two beds in a facility to replace beds that were voluntarily delicensed and decertified on June 28, 1991;

(u) to allow 16 licensed and certified beds located on July 1, 1994, in a 142-bed nursing home and 21-bed boarding care home facility in Minneapolis, notwithstanding the licensure and certification after July 1, 1995, of the Minneapolis facility as a 147-bed nursing home facility after completion of a construction project approved in 1993 under section 144A.073, to be laid away upon 30 days' prior written notice to the commissioner. Beds on layaway status shall have the same status as voluntarily delicensed or decertified beds except that they shall remain subject to the surcharge in section 256.9657. The 16 beds on layaway status may be relicensed as nursing home beds and recertified at any time within five years of the effective date of the layaway upon relocation of some or all of the beds to a licensed and certified facility located in Watertown, provided that the total project construction costs related to the relocation of beds from layaway status for the Watertown facility may not exceed the dollar threshold provided in subdivision 2 unless the construction project has been approved through the moratorium exception process under section 144A.073.

The property-related payment rate of the facility placing beds on layaway status must be adjusted by the incremental change in its rental per diem after recalculating the rental per diem as provided in section 256B.431, subdivision 3a, paragraph (d). The property-related payment rate for the facility relicensing and recertifying beds from layaway status must be adjusted by the incremental change in its rental per diem after recalculating its rental per diem using the number of

beds after the relicensing to establish the facility's capacity day divisor, which shall be effective the first day of the month following the month in which the relicensing and recertification became effective. Any beds remaining on layaway status more than five years after the date the layaway status became effective must be removed from layaway status and immediately delicensed and decertified;

(v) to license and certify beds that are moved within an existing area of a facility or to a newly-constructed addition which is built for the purpose of eliminating three- and four-bed rooms and adding space for dining, lounge areas, bathing rooms, and ancillary service areas in a nursing home that, as of January 1, 1995, was located in Fridley and had a licensed capacity of 129 beds; ~~or~~

(w) to relocate 36 beds in Crow Wing county and four beds from Hennepin county to a 160-bed facility in Crow Wing county, provided all the affected beds are under common ownership; or

(x) to license and certify a total replacement project of up to 49 beds located in Norman county that are relocated from a nursing home destroyed by flood and whose residents were relocated to other nursing homes. The operating cost payment rates for the new nursing facility shall be determined based on the interim and settle-up payment provisions of Minnesota Rules, part 9549.0057, and the reimbursement provisions of section 256B.431, except that subdivision 25, paragraphs (b), clause (3), and (d), shall not apply until the second rate year after the settle-up cost report is filed. Property-related reimbursement rates shall be determined under Minnesota Rules, chapter 9549, taking into account any federal or state flood-related loans or grants provided to the facility."

Page 1, line 7, after "town" insert "which may be used"

Page 1, line 12, delete "1" and insert "2"

Page 1, after line 13, insert:

"(1) for the state costs associated with section 1;"

Page 1, line 14, delete "(1)" and insert "(2)"

Page 1, line 17, delete "(2)" and insert "(3)"

Page 1, line 19, delete "(1)" and insert "(2)"

Page 1, lines 20 and 23, delete "(3)" and insert "(4)"

Page 1, line 21, delete "(1) and (2)" and insert "(2) and (3)"

Page 2, line 8, delete "1" and insert "2"

Page 2, after line 9, insert:

"Sec. 6. [EARLY PAYMENT OF STATE AIDS.]

Notwithstanding Minnesota Statutes, sections 273.1398, subdivision 6, and section 477A.015, the commissioner of revenue, in consultation with the division of emergency management, shall make the payments of homestead and agricultural credit aid and local government aid as provided in this section to all qualified local units of government that the commissioner determines have suffered financial hardship. As used in this section, "qualified local units of government" means:

(1) counties that have been designated on April 8, 1997, or April 15, 1997, by the director of the Federal Emergency Management Agency as eligible for federal aid due to flooding; and

(2) home rule charter and statutory cities and towns located in whole or in part within those counties.

Payment of the homestead and agricultural credit aid and local government aid that would otherwise have been payable on July 20, 1997, shall be made as soon as practicable after the date

of enactment of this act. For payments in 1997 only, the entire amount of any deduction from local government aid or homestead and agricultural credit aid under Minnesota Statutes, section 273.1399, shall be deducted from the December payments of aids to the affected local governments."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "providing an exception to the nursing home moratorium; providing for early payment of state aids to local governments;" and before the period, insert "; amending Minnesota Statutes 1996, section 144A.071, subdivision 4a"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Ms. Berglin from the Committee on Human Resources Finance, to which was re-referred

S.F. No. 457: A bill for an act relating to professions; modifying provisions relating to the board of social work; providing civil penalties; amending Minnesota Statutes 1996, sections 13.99, subdivision 50; 148B.01, subdivisions 4 and 7; 148B.03; 148B.04, subdivisions 2, 3, and 4; 148B.06, subdivision 3; 148B.07; 148B.08, subdivision 2; 148B.18, subdivisions 4, 5, 11, and by adding subdivisions; 148B.19, subdivisions 1, 2, and 4; 148B.20, subdivision 1, and by adding a subdivision; 148B.21, subdivisions 3, 4, 5, 6, 7, and by adding a subdivision; 148B.215; 148B.22, by adding a subdivision; 148B.26, subdivision 1, and by adding a subdivision; 148B.27, subdivisions 1 and 2; and 148B.28, subdivisions 1 and 4; proposing coding for new law in Minnesota Statutes, chapter 148B; repealing Minnesota Statutes 1996, sections 148B.01, subdivision 3; 148B.18, subdivisions 6 and 7; 148B.19, subdivision 3; and 148B.23.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1314 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1314	1026				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1314 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1314 and insert the language after the enacting clause of S.F. No. 1026, the first engrossment; further, delete the title of H.F. No. 1314 and insert the title of S.F. No. 1026, the first engrossment.

And when so amended H.F. No. 1314 will be identical to S.F. No. 1026, and further recommends that H.F. No. 1314 be given its second reading and substituted for S.F. No. 1026, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 257 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
257	510				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 257 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 257 and insert the language after the enacting clause of S.F. No. 510, the second engrossment; further, delete the title of H.F. No. 257 and insert the title of S.F. No. 510, the second engrossment.

And when so amended H.F. No. 257 will be identical to S.F. No. 510, and further recommends that H.F. No. 257 be given its second reading and substituted for S.F. No. 510, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 215, 1894 and 457 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 1314 and 257 were read the second time.

MOTIONS AND RESOLUTIONS

Mrs. Robling introduced--

Senate Resolution No. 45: A Senate resolution congratulating Michael Gerdes of Prior Lake, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Mr. Moe, R.D. moved that H.F. No. 2147 be taken from the table. The motion prevailed.

H.F. No. 2147: A bill for an act relating to education; providing for early childhood education, community, prevention, and self-sufficiency programs; appropriating money; amending Minnesota Statutes 1996, sections 12.21, subdivision 3; 15.53, subdivision 2; 119A.01, subdivision 3; 119A.04, subdivision 6, and by adding a subdivision; 119A.13, subdivisions 2, 3, and 4; 119A.14; 119A.15, subdivisions 2, 5, and by adding a subdivision; 119A.16; 119A.31, subdivisions 1 and 2; 119B.01, subdivisions 8, 9, 12, 16, 17, and by adding subdivisions; 119B.02; 119B.03, subdivisions 3, 4, 5, 6, 7, 8, and by adding subdivisions; 119B.04; 119B.05, subdivisions 1, 5, 6, and by adding a subdivision; 119B.07; 119B.08, subdivisions 1 and 3; 119B.09, subdivisions 1, 2, and by adding subdivisions; 119B.10, subdivision 1; 119B.11, subdivisions 1, 3, and by adding a subdivision; 119B.12; 119B.13, subdivision 1, and by adding subdivisions; 119B.15; 119B.16, subdivision 1; 119B.18, by adding a subdivision; 119B.20, subdivisions 7, 9, and 10; 119B.21, subdivisions 1, 2, 3, 4, 5, 6, 8, 9, 10, and 11; 120.05, subdivision 2; 121.831,

subdivisions 3 and 4; 121.8355, subdivision 1; 121.88, subdivisions 1, 10, and by adding a subdivision; 121.882, subdivisions 2 and 6; 124.17, subdivision 2e; 124.26, subdivision 2, and by adding a subdivision; 124.2601, subdivisions 3, 4, 5, 6, and by adding a subdivision; 124.261, subdivision 1; 124.2615, subdivisions 1 and 2; 124.2711, subdivisions 1 and 2a; 124.2713, subdivisions 6 and 8; 124.2716, subdivision 3; 268.38, by adding a subdivision; 268.53, subdivision 5; 268.55, by adding a subdivision; 268.912; 268.913, subdivisions 2 and 4; and 268.914, subdivision 1; Laws 1996, chapter 463, section 4, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 119A; and 119B; repealing Minnesota Statutes 1996, sections 119B.03, subdivision 7; 119B.05, subdivisions 2 and 3; 119B.11, subdivision 2; 119B.19, subdivision 2; 119B.21, subdivision 7; 121.8355, subdivision 1a; and 268.913, subdivision 5.

SUSPENSION OF RULES

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 2147 and that the rules of the Senate be so far suspended as to give H.F. No. 2147 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 2147 was read the second time.

Ms. Piper moved to amend H.F. No. 2147 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 2147, and insert the language after the enacting clause, and the title, of S.F. No. 1858, the first engrossment.

The motion prevailed. So the amendment was adopted.

H.F. No. 2147 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 56 and nays 0, as follows:

Those who voted in the affirmative were:

Beckman	Higgins	Larson	Olson	Spear
Belanger	Hottinger	Lesewski	Pariseau	Stevens
Berg	Janezich	Lessard	Piper	Stumpf
Berglin	Johnson, D.E.	Limmer	Price	Ten Eyck
Betzold	Johnson, D.H.	Lourey	Ranum	Terwilliger
Day	Johnson, D.J.	Marty	Robertson	Vickerman
Dille	Kelley, S.P.	Metzen	Robling	Wiener
Fischbach	Kelly, R.C.	Moe, R.D.	Sams	Wiger
Flynn	Kleis	Morse	Samuelson	
Foley	Knutson	Murphy	Scheevel	
Frederickson	Krentz	Neuville	Scheid	
Hanson	Langseth	Oliver	Solon	

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the General Orders Calendar. The motion prevailed.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Neuville in the chair.

After some time spent therein, the committee arose, and Mr. Spear reported that the committee had considered the following:

S.F. Nos. 351, 780, 1000 and H.F. Nos. 211, 179, 949, 889, 1301, which the committee recommends to pass.

H.F. No. 1075, which the committee recommends to pass with the following amendment offered by Mr. Johnson, D.H.:

Mr. Johnson, D.H. moved to amend H.F. No. 1075, the unofficial engrossment, as follows:

Page 2, after line 8, insert:

"(d) This subdivision expires on December 31, 1998.

Sec. 2. [319B.40] [PROFESSIONAL HEALTH SERVICES.]

(a) Individuals who furnish professional services pursuant to a license or certificate issued by the state of Minnesota to practice medicine pursuant to sections 147.01 to 147.22, chiropractic pursuant to sections 148.01 to 148.106, registered nursing pursuant to sections 148.171 to 148.285, optometry pursuant to sections 148.52 to 148.62, psychology pursuant to sections 148.88 to 148.98, dentistry pursuant to sections 150A.01 to 150A.12, pharmacy pursuant to sections 151.01 to 151.40, or podiatric medicine pursuant to sections 153.01 to 153.26 are specifically authorized to practice any of these categories of services in combination if the individuals are organized under this chapter.

(b) This authorization does not authorize an individual to practice any profession, or furnish a professional service, for which the individual is not licensed, but otherwise applies regardless of any contrary provision of a licensing statute or rules adopted pursuant to that statute, related to practicing and organizing in combination with other health services professionals.

Sec. 3. Laws 1997, chapter 22, section 6, subdivision 1, is amended to read:

Subdivision 1. [CATEGORIES OF SERVICE.] (a) A professional firm may provide professional services within Minnesota in one of the categories listed in section 319B.02, subdivision 19, if:

(1) the professional firm's election under section 319B.03, subdivision 2, or 319B.04, subdivision 2, specifies that category; and

(2) each of the professional firm's owners meet the requirements of section 319B.07 with regard to that category.

(b) A professional firm may provide professional services within Minnesota in more than one of the categories listed in section 319B.02, subdivision 19, if:

(1) the professional firm's election under section 319B.03, subdivision 2, or 319B.04, subdivision 2, specifies those categories;

(2) each of the professional firm's owners meet the requirements of section 319B.07 with regard to at least one of those categories; and

(3) section 319B.40, the relevant licensing statutes, as listed in section 319B.02, subdivision 19, or rules in effect under those licensing statutes, specifically authorize those categories of services to be practiced in combination.

(c) A professional firm may exercise any powers accorded it by its generally applicable governing law, so long as the professional firm exercises those powers solely to provide the pertinent professional services or to accomplish tasks ancillary to providing those services.

(d) A professional firm may not conduct any other business or provide any other services beyond those authorized in this subdivision, either within or outside of Minnesota.

(e) A professional firm may not adopt, implement, or follow a policy, procedure, or practice that would give a board grounds for disciplinary action against a professional who follows, agrees to, or acquiesces in the policy, procedure, or practice."

Amend the title as follows:

Page 1, line 2, after "regulating" insert "the practice of certain"

Page 1, line 3, delete "under the professional corporation act"

Page 1, line 5, before the period, insert "; Laws 1997, chapter 22, section 6, subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 319B"

The motion prevailed. So the amendment was adopted.

S.F. No. 865, which the committee recommends to pass, subject to the following motions:

Mr. Hottinger moved to amend S.F. No. 865 as follows:

Page 4, line 9, delete "2.4" and insert "2.0"

The motion prevailed. So the amendment was adopted.

Ms. Junge moved to amend S.F. No. 865 as follows:

Page 2, lines 11 to 14, reinstate the stricken language

Page 2, delete lines 15 and 16 and insert:

"Chapter 334 does not apply to rental-purchase agreements."

Page 4, line 9, delete everything after "agreement"

Page 4, delete lines 10 and 11

Page 4, line 12, delete "distributor, or manufacturer"

Page 4, line 23, delete "an amount equal to" and insert "32 percent per year computed on"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 20 and nays 42, as follows:

Those who voted in the affirmative were:

Anderson	Cohen	Kelley, S.P.	Marty	Price
Berg	Flynn	Krentz	Morse	Ranum
Berglin	Foley	Laidig	Pappas	Spear
Betzold	Junge	Lourey	Piper	Terwilliger

Those who voted in the negative were:

Beckman	Johnson, D.E.	Lessard	Pariseau	Solon
Belanger	Johnson, D.H.	Limmer	Pogemiller	Stevens
Dille	Johnson, D.J.	Metzen	Robertson	Stumpf
Fischbach	Johnson, J.B.	Murphy	Robling	Ten Eyck
Frederickson	Kiscaden	Neuville	Runbeck	Vickerman
Hanson	Kleis	Novak	Sams	Wiener
Higgins	Knutson	Oliver	Samuelson	
Hottinger	Langseth	Olson	Scheevel	
Janezich	Lesewski	Ourada	Scheid	

The motion did not prevail. So the amendment was not adopted.

Ms. Wiener moved to amend S.F. No. 865 as follows:

Page 3, line 31, after "statement" insert "in bold typeface of at least 18 point"

The motion prevailed. So the amendment was adopted.

The question was taken on the recommendation to pass S.F. No. 865.

The roll was called, and there were yeas 41 and nays 21, as follows:

Those who voted in the affirmative were:

Beckman	Johnson, D.H.	Limmer	Robertson	Ten Eyck
Belanger	Johnson, D.J.	Metzen	Robling	Terwilliger
Day	Johnson, J.B.	Murphy	Runbeck	Vickerman
Fischbach	Kiscaden	Neuville	Sams	Wiener
Frederickson	Kleis	Novak	Scheevel	Wiger
Hanson	Knutson	Oliver	Scheid	
Higgins	Langseth	Olson	Solon	
Hottinger	Lesewski	Ourada	Stevens	
Johnson, D.E.	Lessard	Pariseau	Stumpf	

Those who voted in the negative were:

Anderson	Flynn	Laidig	Piper	Spear
Berg	Foley	Lourey	Pogemiller	
Berglin	Junge	Marty	Price	
Betzold	Kelley, S.P.	Morse	Ranum	
Cohen	Krentz	Pappas	Samuelson	

The motion prevailed. So S.F. No. 865 was recommended to pass.

On motion of Mr. Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

SUSPENSION OF RULES

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 1894 and that the rules of the Senate be so far suspended as to give S.F. No. 1894, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

S.F. No. 1894: A bill for an act relating to flood relief; providing an exception to the nursing home moratorium; providing for early payment of state aids to local governments; appropriating money; amending Minnesota Statutes 1996, section 144A.071, subdivision 4a.

Mr. Moe, R.D. moved to amend S.F. No. 1894 as follows:

Page 9, line 18, after the comma insert "and section 256B.431,"

Page 10, line 16, before "Notwithstanding" insert "(a)"

Page 10, lines 25 and 26, delete "on April 8, 1997, or April 15, 1997"

Page 11, after line 2, insert:

"(b) To be eligible to receive the payments described in paragraph (a), a qualified local unit of government must request the payment through a resolution of its governing body or town board."

The motion prevailed. So the amendment was adopted.

S.F. No. 1894 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Hanson	Krentz	Neuville	Scheevel
Beckman	Higgins	Laidig	Novak	Scheid
Belanger	Hottinger	Langseth	Oliver	Solon
Berg	Johnson, D.E.	Larson	Olson	Spear
Berglin	Johnson, D.H.	Lesewski	Ourada	Stevens
Betzold	Johnson, D.J.	Lessard	Pappas	Stumpf
Cohen	Johnson, J.B.	Limmer	Piper	Ten Eyck
Day	Junge	Lourey	Pogemiller	Terwilliger
Dille	Kelley, S.P.	Marty	Ranum	Vickerman
Fischbach	Kelly, R.C.	Metzen	Robertson	Wiener
Flynn	Kiscaden	Moe, R.D.	Robling	Wiger
Foley	Kleis	Morse	Sams	
Frederickson	Knutson	Murphy	Samuelson	

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Report at the Desk be now adopted. The motion prevailed.

Mr. Johnson, D.J. from the Committee on Taxes, to which was re-referred

S.F. No. 493: A bill for an act relating to taxation; property; providing uniform rules for the low-income rental housing class; reducing the class rate for apartments and nonhomestead residential properties; imposing penalties; authorizing rulemaking; appropriating money; amending Minnesota Statutes 1996, sections 273.124, by adding a subdivision; 273.13, subdivision 25; 273.1398, subdivision 1a; 290A.03, subdivisions 11 and 13; 290A.19; 469.040, subdivision 3, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 273; and 462A; repealing Minnesota Statutes 1996, sections 273.1317; 273.1318; and 290A.03, subdivisions 12a and 14.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

PROPERTY TAX

CLASS RATE REFORM

Section 1. Minnesota Statutes 1996, section 273.124, is amended by adding a subdivision to read:

Subd. 19. [LEASE-PURCHASE PROGRAM.] Qualifying buildings and appurtenances, together with the land on which they are located, are classified as homesteads, if the following qualifications are met:

(1) the property is leased for up to a five-year period by the occupant under a lease-purchase program administered by the Minnesota housing finance agency or a housing and redevelopment authority under sections 469.001 to 469.047;

(2) the occupant's income is no greater than 80 percent of the county or area median income, adjusted for family size;

(3) the building consists of one or two dwelling units;

(4) the lease agreement provides that part of the lease payment is escrowed as a nonrefundable down payment on the housing;

(5) the administering agency verifies the occupant's income eligibility and certifies to the county assessor that the occupant meets the income standards; and

(6) the property owner applies to the county assessor by May 30 of each year.

For purposes of this subdivision, "qualifying buildings and appurtenances" means a one- or two-unit residential building which was unoccupied, abandoned, and boarded for at least six months.

Sec. 2. [273.126] [QUALIFYING LOW-INCOME RENTAL HOUSING.]

Subdivision 1. [QUALIFYING RULES.] The market value of a rental housing unit qualifies for assessment under class 4d if:

(1) it is occupied by individuals meeting the income limits under subdivision 2;

(2) a rent restriction agreement under subdivision 3 applies;

(3) the unit meets the minimum housing quality standards under subdivision 4; and

(4) the Minnesota housing finance agency certifies to the local assessor that the unit qualifies.

Subd. 2. [INCOME LIMITS.] (a) In order to qualify under class 4d, a unit must be occupied by an individual or individuals whose income is at or below 60 percent of the median area gross income. If the resident's income met the requirement when the resident first occupied the unit, the income of the resident continues to qualify, unless the income exceeds 85 percent of the median area gross income.

(b) For purposes of this section, "median area gross income" means the greater of (1) the median gross income for the area determined under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1996, or (2) the median gross income for the state. The median gross income must be adjusted for family size.

(c) Vacant units qualify as meeting the requirements of this subdivision in the same proportion that total units in the building are subject to rent restriction agreements under subdivision 3 and meet minimum housing standards under subdivision 4. This paragraph applies only to the extent that units subject to a rent restriction agreement and meeting the minimum housing quality standards are vacant.

(d) The owner or manager of the property may comply with this subdivision by obtaining written statements from the residents, at least annually, that their incomes are at or below the limit.

Subd. 3. [RENT RESTRICTIONS.] (a) In order to qualify under class 4d, a unit must be subject to a rent restriction agreement with the housing finance agency for a period of at least five years. The agreement must be in effect and apply to the rents to be charged for the year in which the property taxes are payable. The agreement must provide that the restrictions apply to each year of the period, regardless of whether the unit is occupied by an individual with qualifying income or whether class 4d applies. The rent restriction agreement must provide for rents for the unit to be no higher than the rents permitted under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1996. The definition of median gross income specified in this section applies.

(b) Notwithstanding the maximum rent levels permitted, 20 percent of the units in the metropolitan area and ten percent of the units in greater Minnesota qualifying under class 4d must be made available to a family with a section 8 certificate.

Subd. 4. [MINIMUM HOUSING STANDARDS.] In order to qualify under class 4d, a unit

must be certified by the housing finance agency to meet the minimum housing standards established under section 462A.071.

Subd. 5. [MONITORING RENT LEVELS.] The housing finance agency is directed to monitor changes in rent levels and the use of section 8 certificates in units qualifying under class 4d.

Subd. 6. [PENALTIES.] Notwithstanding the provisions of section 273.01, 274.01, or any other law, if the Minnesota housing finance agency notifies the assessor that the provisions of this section have not been met for any period during which a unit was classified under class 4d, a penalty is imposed as provided in section 462A.071, subdivision 8.

Sec. 3. Minnesota Statutes 1996, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is (i) residential and used for homestead purposes; and (ii) other residential real estate containing one unit, other than seasonal residential, and recreational; and (iii) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b), is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

For taxes payable in 1998 and thereafter, the first ~~$72,000~~ $75,000 of market value of class 1a property has a net class rate of one percent of its market value ~~and a gross class rate of 2.17 percent of its market value. For taxes payable in 1992,~~; and the market value of class 1a property that exceeds ~~$72,000 but does not exceed $115,000~~ $75,000 has a class rate of two percent of its market value~~; and the market value of class 1a property that exceeds $115,000 has a class rate of 2.5 percent of its market value. For taxes payable in 1993 and thereafter, the market value of class 1a property that exceeds $72,000 has a class rate of two percent~~.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any blind person, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and

(iii) has household income as defined in section 290A.03, subdivision 5, of $50,000 or less; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $32,000 market value of class 1b property has a net class rate of .45 percent of its market value and a gross class rate of .87 percent of its market value. The remaining market value of class 1b property has a gross or net class rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. In order for a property to be classified as class 1c, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted between Memorial Day weekend and Labor Day weekend, and at least 60 percent of all bookings by lodging guests during the year must be for periods of at least three consecutive nights. Class 1c property has a class rate of one percent of total market value ~~for taxes payable in 1993 and thereafter~~ with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

Sec. 4. Minnesota Statutes 1996, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to $115,000 has a net class rate of .45 percent of market value and a gross class rate of 1.75 percent of market value. The remaining value of class 2a property over $115,000 of market value that does not exceed 320 acres has a net class rate of one percent of market value, and a gross class rate of 2.25 percent of market value. The remaining property over the $115,000 market value in excess of 320 acres has a class rate of 1.5 percent of market value, and a gross class rate of 2.25 percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered

or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of 1.5 percent of market value, and a gross class rate of 2.25 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land, and land included in state or federal farm or conservation programs. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. Land enrolled in the Reinvest in Minnesota program under sections 103F.505 to 103F.531 or the federal Conservation Reserve Program as contained in Public Law Number 99-198, and consisting of a minimum of ten contiguous acres, shall be classified as agricultural. Agricultural classification for property shall be determined with respect to the use of the whole parcel, and not based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate of less than ten acres used principally for raising or cultivating agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

(e) The term "agricultural products" as used in this subdivision includes:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, 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 if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing; and

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115.

(f) 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.

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.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "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 paragraph (b), clause (4), 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 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "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.

(h) A structure is classified as an agricultural building if all of the following criteria are met:

(1) the structure is located on property that is classified as agricultural property under this subdivision;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the owners of the property are required to provide housing for the workers under state or federal law;

(4) the structure meets all applicable health and safety requirements; and

(5) the structure is not saleable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

Sec. 5. Minnesota Statutes 1996, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. It has a class rate of ~~three~~ 2.5 percent of the first ~~$100,000~~ $200,000 of market value for taxes payable in ~~1993~~ 1998 and thereafter, and ~~5.06~~ four percent of the market value over ~~$100,000~~ $200,000 for taxes payable in 1998 and thereafter, except as provided in paragraph (b), (c), or (d). In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a reduced class rate on the first ~~$100,000~~ $200,000 of market value. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first ~~$100,000~~ $200,000 of market value, except that:

(1) if the market value of the parcel is less than ~~$100,000~~ $200,000, and additional parcels are owned by the same person or entity in the same city or town within that county, the reduced class rate shall be applied up to a combined total market value of ~~$100,000~~ $200,000 for all parcels owned by the same person or entity in the same city or town within the county;

(2) in the case of grain, fertilizer, and feed elevator facilities, as defined in section 18C.305, subdivision 1, or 232.21, subdivision 8, the limitation to one parcel per owner per county for the reduced class rate shall not apply, but there shall be a limit of ~~$100,000~~ $200,000 of preferential value per site of contiguous parcels owned by the same person or entity. Only the value of the elevator portion of each parcel shall qualify for treatment under this clause. For purposes of this subdivision, contiguous parcels include parcels separated only by a railroad or public road right-of-way; and

(3) in the case of property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1993, if the property is used as a business incubator, the limitation to one parcel per owner per county for the reduced class rate shall not apply, provided that the reduced rate applies only to the first ~~$100,000~~ $200,000 of value per parcel owned by the organization. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization.

To receive the reduced class rate on additional parcels under clause (1), (2), or (3), the taxpayer must notify the county assessor that the taxpayer owns more than one parcel that qualifies under clause (1), (2), or (3).

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first $50,000 of market value and 3.6 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first $100,000 of market value and the class rate of the remainder is determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

(c) ~~Structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate of four percent on that portion of the market value in excess of $100,000 and any market value under $100,000 that does not qualify for the three percent class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. The four percent rate shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.~~ Qualified property used as a golf course is class 3d. Property qualifies under this paragraph if:

(1) any portion of the property is located within a county in which is located a golf course owned by a municipality or county; and

(2) it is open to the public without membership requirements.

The class rate of property assessed under this paragraph is two percent. A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property.

Sec. 6. Minnesota Statutes 1996, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. ~~Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of 2.3 percent of market value for taxes payable in 1996 and thereafter. All other~~ Class 4a property has a class rate of ~~3.4~~ 2.5 percent of market value for taxes payable in ~~1996~~ 1998 and thereafter. ~~For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.~~

(b) Class 4b includes:

(1) residential real estate containing ~~less than four~~ two or three units, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) ~~a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b)~~ unimproved property that is classified residential as determined under section 273.13, subdivision 33.

Class 4b property has a class rate of ~~2.8 percent of market value for taxes payable in 1992, 2.5 percent of market value for taxes payable in 1993, and 2.3~~ 2.0 percent of market value for taxes payable in ~~1994~~ 1998, and thereafter.

(c) Class 4c property includes:

(1) ~~a structure that is:~~

~~(i) situated on real property that is used for housing for the elderly or for low- and moderate-income families as defined in Title II, as amended through December 31, 1990, of the National Housing Act or the Minnesota housing finance agency law of 1971, as amended, or rules promulgated by the agency and financed by a direct federal loan or federally insured loan made pursuant to Title II of the Act; or~~

~~(ii) situated on real property that is used for housing the elderly or for low- and moderate-income families as defined by the Minnesota housing finance agency law of 1971, as amended, or rules adopted by the agency pursuant thereto and financed by a loan made by the Minnesota housing finance agency pursuant to the provisions of the act.~~

~~This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan.~~

~~(2) a structure that is:~~

~~(i) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended; and~~

~~(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and~~

~~(3) a qualified low-income building as defined in section 42(c)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1990, that (i) receives a low-income housing credit~~

~~under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1990; or (ii) meets the requirements of that section and receives public financing, except financing provided under sections 469.174 to 469.179, which contains terms restricting the rents; or (iii) meets the requirements of section 273.1317. Classification pursuant to this clause is limited to a term of 15 years. The public financing received must be from at least one of the following sources: government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1993, the proceeds of which are used for the acquisition or rehabilitation of the building; programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act; rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota housing finance agency that are used for the acquisition or rehabilitation of the building; public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from federal community development block grants, HOME block grants, or residential rental bonds issued under chapter 474A; or other rental housing program funds provided by the Minnesota housing finance agency for the acquisition or rehabilitation of the building.~~

~~For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents unless the owner of the property elects to have the property assessed under Laws 1991, chapter 291, article 1, section 55. If the owner of the property elects to have the market value determined on the basis of the actual restricted rents, as provided in Laws 1991, chapter 291, article 1, section 55, the property will be assessed at the rate provided for class 4a or class 4b property, as appropriate. Properties described in clauses (1)(ii), (3), and (4) may apply to the assessor for valuation under Laws 1991, chapter 291, article 1, section 55. The land on which these structures are situated has the class rate given in paragraph (b) if the structure contains fewer than four units, and the class rate given in paragraph (a) if the structure contains four or more units. This clause applies only to the property of a nonprofit or limited dividend entity.~~

~~(4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics:~~

~~(a) it is a nonprofit corporation organized under chapter 317A;~~

~~(b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws;~~

~~(c) it limits membership with voting rights to residents of the designated community; and~~

~~(d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and~~

~~(5)~~ except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted between Memorial

Day weekend and Labor Day weekend and at least 60 percent of all bookings by lodging guests during the year must be for periods of at least three consecutive nights. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The first $100,000 of the market value of the remainder of the cabins or units and a proportionate share of the land on which they are located shall have a class rate of three percent. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

~~(6)~~ (2) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

~~(7)~~ (3) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus; and

~~(8)~~ (4) manufactured home parks as defined in section 327.14, subdivision 3.

Class 4c property has a class rate of ~~2.3~~ 2.0 percent of market value, except that ~~(i)~~ for each parcel of seasonal residential recreational property not used for commercial purposes under clause ~~(5)~~ (1) the first ~~$72,000~~ $75,000 of market value on each parcel has a class rate of ~~1.75 percent for taxes payable in 1997 and~~ 1.5 percent for taxes payable in 1998 and thereafter, and the market value of each parcel that exceeds ~~$72,000~~ $75,000 has a class rate of 2.5 percent~~, and (ii) manufactured home parks assessed under clause (8) have a class rate of two percent for taxes payable in 1996, and thereafter~~.

(d) Class 4d property ~~includes:~~

~~(1) a structure that is:~~

~~(i) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the Farmers Home Administration;~~

~~(ii) located in a municipality of less than 10,000 population; and~~

~~(iii) financed by a direct loan or insured loan from the Farmers Home Administration. Property is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.~~

~~The class rates in paragraph (c), clauses (1), (2), and (3) and this clause apply to the properties described in them, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. For those properties, 4c or 4d classification is available only for those units meeting the requirements of section 273.1318.~~

~~Classification under this clause is only available to property of a nonprofit or limited dividend entity.~~

~~In the case of a structure financed or refinanced under any federal or state mortgage insurance or direct loan program exclusively for housing for the elderly or for housing for the handicapped, a unit shall be considered occupied so long as it is actually occupied by an elderly or handicapped person or, if vacant, is held for rental to an elderly or handicapped person.~~

~~(2) For taxes payable in 1992, 1993, and 1994, only, buildings and appurtenances, together with the land upon which they are located, leased by the occupant under the community lending model lease-purchase mortgage loan program administered by the Federal National Mortgage Association, provided the occupant's income is no greater than 60 percent of the county or area median income, adjusted for family size and the building consists of existing single family or duplex housing. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. The application must be accompanied by an affidavit or other proof required by the assessor to determine qualification under this clause.~~

~~(3) Qualifying buildings and appurtenances, together with the land upon which they are located, leased for a period of up to five years by the occupant under a lease-purchase program administered by the Minnesota housing finance agency or a housing and redevelopment authority authorized under sections 469.001 to 469.047, provided the occupant's income is no greater than 80 percent of the county or area median income, adjusted for family size, and the building consists of two or less dwelling units. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. The administering agency shall verify the occupants income eligibility and certify to the county assessor that the occupant meets the income criteria under this paragraph. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. For purposes of this section, "qualifying buildings and appurtenances" shall be defined as one or two unit residential buildings which are unoccupied and have been abandoned and boarded for at least six months~~ is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of ~~two~~ one percent of market value ~~except that property classified under clause (3), shall have the same class rate as class 1a property~~.

~~(e) Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (3); paragraph (c), clause (1), (2), (3), or (4), is assessed at the class rate applicable to it under Minnesota Statutes 1988, section 273.13, if it is found to be a substandard building under section 273.1316. Residential rental property that would otherwise be assessed as class 4 property under paragraph (d) is assessed at 2.3 percent of market value if it is found to be a substandard building under section 273.1316.~~

~~(f) Class 4e property consists of the residential portion of any structure located within a city that was converted from nonresidential use to residential use, provided that:~~

~~(1) the structure had formerly been used as a warehouse;~~

~~(2) the structure was originally constructed prior to 1940;~~

~~(3) the conversion was done after December 31, 1995, but before January 1, 2003; and~~

~~(4) the conversion involved an investment of at least $25,000 per residential unit.~~

~~Class 4e property has a class rate of 2.3 percent, provided that a structure is eligible for class 4e classification only in the 12 assessment years immediately following the conversion.~~

Sec. 7. Minnesota Statutes 1996, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] Class 5 property includes:

(1) tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures;

(2) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and

(3) all other property not otherwise classified.

Class 5 property has a class rate of ~~5.06~~ 4.0 percent of market value for taxes payable in 1998 and thereafter.

Sec. 8. Minnesota Statutes 1996, section 273.1398, subdivision 4, is amended to read:

Subd. 4. [DISPARITY REDUCTION CREDIT.] (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market value and (ii) the tax on class 3a and class 3b property to ~~3.3~~ 2.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Sec. 9. [462A.071] [CERTIFICATION OF HOUSING QUALIFYING FOR REDUCED PROPERTY TAX RATE.]

Subdivision 1. [CERTIFICATION.] By June 30 of each year, the agency must certify to local assessors the units of low-income rental properties that qualify for class 4d under sections 273.126 and 273.13. In making these certifications, the agency may rely on the application and supporting information supplied by the property owner as to compliance with the income limits under section

273.126, subdivision 2, and satisfaction of the minimum housing quality standards under subdivision 4.

Subd. 2. [APPLICATION.] (a) In order to qualify for certification under subdivision 1, the owner or manager of the property must annually apply to the agency. The application must be in the form prescribed by the agency, contain the information required by the agency, and be submitted by the date and time specified by the agency.

(b) Each application must include:

(1) the property tax identification number;

(2) the number, type, and size of units the applicant seeks to qualify as low-income housing under class 4d;

(3) the number, type, and size of units in the property for which the applicant is not seeking qualification, if any;

(4) a certification that the property has been inspected by a qualified inspector within the past three years and meets the minimum housing quality standards or is exempt from the inspection requirement under subdivision 4;

(5) a statement indicating the building is in compliance with the income limits;

(6) an executed agreement to restrict rents meeting the requirements specified by the agency or executed leases for the units for which qualification as low-income housing as class 4d under section 273.13 is sought and the rent schedule; and

(7) any additional information the agency deems appropriate to require.

(c) The applicant must pay a per-unit application fee to be set by the agency. The application fee charged by the agency must approximately equal the costs of processing and reviewing the applications. The fee must be deposited in the general fund.

Subd. 3. [AGREEMENT TO RESTRICT RENTS.] The agency may prescribe one or more standard form agreements to restrict rents that meet the requirements of section 273.126, subdivision 3. The agreements must be in recordable form. The agency may require applicants to execute a rent restriction agreement in this form as a condition of entering an agreement to restrict rents.

Subd. 4. [MINIMUM HOUSING QUALITY STANDARDS.] (a) To qualify for taxation under class 4d under section 273.13, a unit must meet both the housing maintenance code of the local unit of government in which the unit is located, if such a code has been adopted, and the housing quality standards adopted by the United States Department of Housing and Urban Development.

(b) In order to meet the minimum housing quality standards, a building must be inspected by an independent designated inspector at least once every three years. The inspector must certify that the building complies with the minimum standards. The property owner must pay the cost of the inspection.

(c) The agency may exempt from the inspection requirement housing units that are financed by a governmental entity and subject to regular inspection or other compliance checks with regard to minimum housing quality. Written certification must be supplied to show that these exempt units have been inspected within the last three years and comply with the requirements under the public financing or local requirements.

Subd. 5. [HOUSING INSPECTORS.] (a) Housing inspections required by this section may be conducted only by persons designated by the agency. The agency may designate one or more persons to conduct inspections for all or part of the state. A designated inspector may charge a fee for an inspection up to a maximum amount approved by the agency. The inspector must be independent of the owner or manager of the inspected property.

(b) The agency must maintain a list of persons eligible to conduct housing inspections under this section.

Subd. 6. [SECTION 8 AND TAX CREDIT UNITS.] (a) The agency may deem units as meeting the requirements of section 273.126 and this section, if the units either:

(1) are subject to a housing assistance payments contract under section 8 of the United States Housing Act of 1937, as amended; or

(2) are rent and income restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended.

(b) The agency may certify these deemed units under subdivision 1 based on a simplified application procedure that verifies the unit's qualifications under paragraph (a).

Subd. 7. [MONITORING COMPLIANCE.] (a) The agency must monitor compliance by building owners with the requirements of section 273.126 and this section. The agency must annually conduct on-site examinations of a sample of the buildings receiving class 4d taxation to monitor compliance. The agency may contract with third parties to monitor compliance.

(b) An inspector, designated by the agency under subdivision 5, shall notify the agency if, in conducting an inspection under subdivision 4, the inspector finds that:

(1) a unit is receiving class 4d taxation;

(2) the unit is not in compliance with the requirements of subdivision 4; and

(3) the owner or manager fails or refuses to cure the violations within a reasonable time after receiving notification of the violation.

Subd. 8. [PENALTIES.] (a) The penalties provided by this subdivision apply to each unit that received class 4d taxation for a year and failed to meet the requirements of section 273.126 and this section.

(b) If the owner or manager does not comply with the rent restriction agreement, or does not comply with the income restrictions or minimum housing quality standards, a penalty applies equal to the increased taxes that would have been imposed if the property had not been classified under class 4d for the year in which restrictions were violated.

(c) If the agency finds that the violations were inadvertent and insubstantial, a penalty of $..... per unit per year applies in lieu of the penalty specified under paragraph (b). In order to qualify under this paragraph, violations of the minimum housing quality standards must be corrected within a reasonable period of time and rent charged in excess of the agreement must be rebated to the tenants.

(d) The agency may abate the penalties under this subdivision for reasonable cause.

(e) Penalties assessed under paragraph (c) are payable to the agency and must be deposited in the general fund. If an owner or manager fails to timely pay a penalty imposed under paragraph (c), the agency may choose to:

(1) impose the penalty under paragraph (b); or

(2) certify the penalty under paragraph (c) to the auditor for collection as additional taxes. The agency shall certify to the county auditor penalties assessed under paragraph (b) and clause (2). The auditor shall impose and collect the certified penalties as additional taxes which will be distributed to taxing districts in the same manner as property taxes on the property.

Subd. 9. [TAX COURT REVIEW.] (a) An owner may appeal to tax court as provided in section 271.06:

(1) a denial of a request for certification of a property as qualifying for class 4d taxation;

(2) imposition of a penalty under this section; or

(3) denial of a request to abate a penalty.

(b) The county attorney shall represent the public in opposing the appeal.

Subd. 10. [RULEMAKING.] (a) The agency may adopt administrative rules under chapter 14 to carry out the provisions of this section, including establishing standards for abating penalties, violations that are inadvertent and insubstantial, selection of inspectors, selection of persons to monitor compliance, establishing rent restriction agreement terms, or any other purpose.

(b) The agency may adopt emergency rules under chapter 14. Any emergency rules adopted under this authority expire on January 1, 1999.

Sec. 10. Minnesota Statutes 1996, section 469.040, is amended by adding a subdivision to read:

Subd. 1a. [LIMITS FOR EXEMPT HOUSING PROJECTS.] (a) The provisions of this subdivision apply to housing projects and housing development projects acquired, constructed, financed, or refinanced after December 31, 1997.

(b) For a project to qualify for the property tax exemption under this section, the authority must establish income guidelines meeting the requirements of paragraph (c) and rent restrictions under paragraph (d).

(c) The housing authority must establish and make good faith efforts to abide by one of the following income limits for the housing project:

(1) at least 20 percent of the housing units are occupied by individuals whose incomes are 50 percent or less of the area median gross income; or

(2) at least 40 percent of the housing units are occupied by individuals whose incomes are 60 percent or less of the area median gross income.

For purposes of this paragraph, the terms defined in section 42 of the Internal Revenue Code of 1986 apply, except "median area gross income" means the greater of (1) the median gross income for the area determined under section 42 of the Internal Revenue Code of 1986, as amended, or (2) the median gross income for the state.

(d) The provisions of this subdivision do not apply to all or part of a housing project that is subject to the requirements of section 5 of the United States Housing Act of 1937.

Sec. 11. Minnesota Statutes 1996, section 469.040, subdivision 3, is amended to read:

Subd. 3. [STATEMENT FILED WITH ASSESSOR; PERCENTAGE TAX ON RENTALS.] Notwithstanding the provisions of subdivision 1, after a housing project or a housing development project carried on under sections 469.016 to 469.026 has become occupied, in whole or in part, an authority shall file with the assessor, on or before April 15 of each year, a statement of the aggregate shelter rentals of that project collected during the preceding calendar year. Unless a greater amount has been agreed upon between the authority and the governing body or bodies for which the authority was created, in whose jurisdiction the project is located, five percent of the aggregate shelter rentals shall be charged to the authority as a service charge for the services and facilities to be furnished with respect to that project. The service charge shall be collected from the authority in the manner provided by law for the assessment and collection of taxes. The amount so collected shall be distributed to the several taxing bodies in the same proportion as the tax rate of each bears to the total tax rate of those taxing bodies. The governing body or bodies for which the authority has been created, in whose jurisdiction the project is located, may agree with the authority for the payment of a service charge for a housing project or a housing development project in an amount greater than five percent of the aggregate annual shelter rentals of any project, upon the basis of shelter rentals or upon another basis agreed upon. The service charge

may not exceed the amount which would be payable in taxes were the property not exempt. If such an agreement is made, the service charge so agreed upon shall be collected and distributed in the manner above provided. If the project has become occupied, or if the land upon which the project is to be constructed has been acquired, the agreement shall specify the location of the project for which the agreement is made. "Shelter rental" means the total rentals of a housing project exclusive of any charge for utilities and special services such as heat, water, electricity, gas, sewage disposal, or garbage removal. "Service charge" means payment in lieu of taxes. The records of each ~~housing~~ project shall be open to inspection by the proper assessing officer.

Sec. 12. [TEMPORARY EXEMPTIONS FROM INSPECTION REQUIREMENTS.]

(a) The Minnesota housing finance agency may provide a temporary exemption to the inspection requirement under Minnesota Statutes, sections 273.126, subdivision 4, and 462A.071, if the agency finds that:

(1) the property owner made a good faith effort to obtain an inspection; and

(2) the owner was unable to obtain an inspection in time to apply because the designated inspectors were unable to conduct all the requested inspections.

(b) If a unit that is exempted under this section does not ultimately obtain a certification from a designated inspector that it is in compliance with the minimum housing quality standards, the additional taxes under Minnesota Statutes, section 273.126, subdivision 5, apply.

(c) Procedures or rules for granting exemptions under this section are not subject to the administrative rulemaking under Minnesota Statutes, chapter 14.

(d) The authority under this section expires December 31, 2000.

Sec. 13. [APPROPRIATION.]

$450,000 is appropriated for fiscal years 1998 and 1999 from the general fund to the housing finance agency for purposes of administering the certification of qualifying low-income residential properties for property taxation under class 4d.

Sec. 14. [REPEALER.]

Minnesota Statutes 1996, sections 273.13, subdivision 32; 273.1317; and 273.1318, are repealed.

Sec. 15. [EFFECTIVE DATE.]

Sections 1, 2, and 14 are effective for property taxes payable in 1999 and thereafter. Sections 3 to 8 are effective for taxes payable in 1998 and thereafter, except the low-income housing provisions in class 4c and 4d are effective for taxes payable in 1999 and thereafter. Sections 9 and 12 are effective the day following final enactment. Sections 10 and 11 are effective August 1, 1997.

ARTICLE 2

EDUCATION FINANCE

Section 1. Minnesota Statutes 1996, section 124.239, is amended by adding a subdivision to read:

Subd. ~~4a.~~ [ALTERNATIVE FACILITIES REVENUE.] A district's alternative facilities revenue for a fiscal year equals its costs related to an approved facility plan as follows:

(1) if the district has indicated to the commissioner that bonds will be issued, the principal and interest payments on outstanding bonds issued according to subdivision 3; or

(2) if the district has indicated to the commissioner that the plan will be funded on a pay-as-you-go basis, the district's costs according to the schedule approved in the plan.

Sec. 2. Minnesota Statutes 1996, section 124.239, subdivision 5, is amended to read:

Subd. 5. [LEVY AUTHORIZED.] ~~A district, after local board approval, may levy for costs related to an approved facility plan as follows:~~

~~(a) if the district has indicated to the commissioner that bonds will be issued, the district may levy for the principal and interest payments on outstanding bonds issued according to subdivision 3; or~~

~~(b) if the district has indicated to the commissioner that the plan will be funded through levy, the district may levy according to the schedule approved in the plan.~~ To obtain alternative facilities revenue, a school district may levy an amount equal to the district's alternative facilities revenue as defined in subdivision 4a, 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 before the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to the equalizing factor under section 124A.02.

Sec. 3. Minnesota Statutes 1996, section 124.239, is amended by adding a subdivision to read:

Subd. 5a. [ALTERNATIVE FACILITIES AID.] A district's alternative facilities aid is the difference between its alternative facilities revenue and its alternative facilities levy. If a district does not levy the entire amount permitted, alternative facilities aid must be reduced in proportion to the actual amount levied.

Sec. 4. Minnesota Statutes 1996, section 124.2716, subdivision 3, is amended to read:

Subd. 3. [EXTENDED DAY LEVY.] To obtain extended day revenue, a school district may levy an amount equal to the district's extended day revenue as defined in subdivision 2 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 before the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to ~~$3,700~~ the equalizing factor under section 124A.02.

Sec. 5. Minnesota Statutes 1996, section 124.2727, subdivision 6b, is amended to read:

Subd. 6b. [DISTRICT COOPERATION LEVY.] To receive district cooperation revenue, a district may levy an amount equal to the district's cooperation revenue 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 actual pupil units in the district for the school year to which the levy is attributable to ~~$3,500~~ the equalizing factor under section 124A.02.

Sec. 6. Minnesota Statutes 1996, section 124.312, subdivision 4, is amended to read:

Subd. 4. [INTEGRATION REVENUE.] For fiscal year ~~1996~~ 1999 and later fiscal years, integration revenue equals ~~the sum of~~ integration aid ~~and integration levy under section 124.912, subdivision 2~~.

Sec. 7. Minnesota Statutes 1996, section 124.312, subdivision 5, is amended to read:

Subd. 5. [INTEGRATION AID.] For fiscal year ~~1996~~ 1999 and later fiscal years integration aid equals the following amounts:

(1) for independent school district No. 709, Duluth, ~~$1,385,000~~ $2,045,000 plus $58 times its actual pupil units for that fiscal year;

(2) for independent school district No. 625, St. Paul, $8,090,700 plus $197 times its actual pupil units for that fiscal year; and

(3) for special school district No. 1, Minneapolis, $9,368,300 plus $197 times its actual pupil units for that fiscal year.

Sec. 8. Minnesota Statutes 1996, section 124.314, subdivision 2, is amended to read:

Subd. 2. [LEVY.] For fiscal year ~~1996~~ 1999 and thereafter, a school district's targeted needs levy equals ~~the sum of its integration levy under section 124.912, subdivision 2, and~~ that portion of its special education levy attributed to the limited English proficiency program.

Sec. 9. Minnesota Statutes 1996, section 124.83, subdivision 4, is amended to read:

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 actual pupil units in the district for the school year to which the levy is attributable, to ~~$4,707.50~~ the equalizing factor under section 124A.02.

Sec. 10. [124.913] [LEASE PURCHASE; INSTALLMENT BUYS.]

Subdivision 1. [LEASE PURCHASE; INSTALLMENT BUYS.] (a) Upon application to, and approval by, the commissioner in accordance with the procedures and limits in section 124.91, subdivision 1, a district, as defined in this subdivision, may:

(1) purchase real or personal property under an installment contract; or

(2) may lease real or personal property with an option to purchase under a lease purchase agreement, by which installment contract or lease purchase agreement title is kept by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any.

(b) The obligation created by the installment contract or the lease purchase agreement must not be included in the calculation of net debt for purposes of section 475.53, and does not constitute debt under other law. An election is not required in connection with the execution of the installment contract or the lease purchase agreement.

(c) The proceeds of the revenue authorized by this section must not be used to acquire a facility to be primarily used for athletic or school administration purposes.

(d) For purposes of this subdivision, "district" means:

(1) a school district required to have a comprehensive plan for the elimination of segregation whose plan has been determined by the commissioner to be in compliance with the state board of education rules relating to equality of educational opportunity and school desegregation; or

(2) a school district that participates in a joint program for interdistrict desegregation with a district defined in clause (1), if the facility acquired under this subdivision is to be primarily used for the joint program.

(e) Notwithstanding section 124.91, subdivision 1, the prohibition against a levy by a district to lease or rent a district-owned building to itself does not apply to levies otherwise authorized by this subdivision.

(f) For the purposes of this subdivision, any references in section 124.91, subdivision 1, to building or land shall include personal property.

Subd. 2. [LEASE PURCHASE; INSTALLMENT BUYS REVENUE.] A district's lease purchase and installment buys revenue for a fiscal year equals the amount needed to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payment agreement:

(1) that was authorized by Minnesota Statutes 1989 Supplement, section 465.71, if:

(i) the agreement was approved by the commissioner before July 1, 1990, according to Minnesota Statutes 1989 Supplement, section 275.125, subdivision 11d; or

(ii) the district levied in 1989 for the payments; or

(2) authorized by subdivision 1, or Minnesota Statutes 1996, section 124.91, subdivision 7.

Subd. 3. [LEASE PURCHASE AND INSTALLMENT BUYS LEVY.] To receive lease purchase and installment buys revenue, a school district may levy an amount equal to the district's lease purchase and installment buys revenue as defined in subdivision 2, 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 before the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to the equalizing factor under section 124A.02.

Subd. 4. [LEASE PURCHASE AND INSTALLMENT BUYS AID.] A district's lease purchase and installment buys aid is the difference between its lease purchase and installment buys revenue and its lease purchase and installment buys levy. If a district does not levy the entire amount permitted, lease purchase and installment buys aid must be reduced in proportion to the actual amount levied.

Sec. 11. Minnesota Statutes 1996, section 124.95, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the eligible debt service revenue of a district is defined as follows:

(1) the amount needed to produce between five and six percent in excess of the amount needed to meet when due the principal and interest payments on the obligations of the district for eligible projects according to subdivision 2, including the amounts necessary for repayment of energy loans according to section 216C.37 or sections 298.292 to 298.298, debt service loans and capital loans, ~~lease purchase payments under section 124.91, subdivisions 2 and 3, alternative facilities levies under section 124.239, subdivision 5,~~ minus

(2) the amount of debt service excess levy reduction for that school year calculated according to the procedure established by the commissioner.

(b) The obligations in this paragraph are excluded from eligible debt service revenue:

(1) obligations under section 124.2445;

(2) the part of debt service principal and interest paid from the taconite environmental protection fund or northeast Minnesota economic protection trust;

(3) obligations issued under Laws 1991, chapter 265, article 5, section 18, as amended by Laws 1992, chapter 499, article 5, section 24; and

(4) obligations under section 124.2455.

(c) For purposes of this section, if a preexisting school district reorganized under section 122.22, 122.23, or 122.241 to 122.248 is solely responsible for retirement of the preexisting district's bonded indebtedness, capital loans or debt service loans, debt service equalization aid must be computed separately for each of the preexisting school districts.

Sec. 12. Minnesota Statutes 1996, section 124.95, subdivision 4, is amended to read:

Subd. 4. [EQUALIZED DEBT SERVICE LEVY.] To obtain debt service equalization revenue, a district must levy an amount not to exceed the district's debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the actual pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~$4,707.50~~ the equalizing factor under section 124A.02.

Sec. 13. Minnesota Statutes 1996, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. [GENERAL EDUCATION TAX RATE.] The commissioner shall establish the

general education tax rate by July 1 of each year for levies payable in the following year. The general education tax capacity rate shall be a rate, rounded up to the nearest tenth of a percent, that, when applied to the adjusted net tax capacity for all districts, raises the amount specified in this subdivision. The general education tax rate shall be the rate that raises ~~$1,054,000,000 for fiscal year 1996 and~~ $1,359,000,000 for fiscal year ~~1997~~ 1998 and $1,103,000,000 for fiscal year 1999 and later fiscal years. The general education tax rate may not be changed due to changes or corrections made to a district's adjusted net tax capacity after the tax rate has been established.

Sec. 14. [MORATORIUM ON REFERENDUM INCREASES.]

A school district may not conduct an election in 1997 under Minnesota Statutes, section 124A.03, subdivision 2 or 2b, for property taxes payable in 1998, except that an election may be conducted under section 124A.03, subdivision 2, paragraph (c), on the question of revoking or reducing an increased levy amount.

Sec. 15. [1997 REFERENDUM APPROVAL.]

(a) Notwithstanding section 14 or any other law to the contrary, the commissioner of children, families, and learning may authorize referendum levy elections under Minnesota Statutes, section 124A.03, or any successor section for 1997 taxes payable in 1998 only as provided in this section.

(b) The aggregate amount of referendum levies authorized by the commissioner may not exceed $10,000,000.

(c) A school district that desires to hold an election under Minnesota Statutes, section 124A.03, must submit an application to the commissioner by August 1, 1997.

(d) The commissioner shall prioritize applications and grant authority to hold an election to districts in the following order:

(1) districts that are in statutory operating debt and have an approved plan or have received an extension from the department to file a plan to eliminate the statutory operating debt;

(2) districts that have referendum levy authority expiring in fiscal year 1998 or that have a documented hardship; and

(3) all other districts.

(e) The commissioner must approve, deny, or modify each district's application for referendum levy authority by August 31, 1997.

Sec. 16. [REPEALER.]

Minnesota Statutes 1996, sections 124.91, subdivisions 2 and 7; and 124.912, subdivisions 2 and 3, are repealed.

Sec. 17. [EFFECTIVE DATE.]

This article is effective for taxes payable in 1998 and thereafter, and aids payable in fiscal year 1999 and thereafter.

ARTICLE 3

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1996, section 290A.03, subdivision 11, is amended to read:

Subd. 11. [RENT CONSTITUTING PROPERTY TAXES.] "Rent constituting property taxes" means ~~the amount of gross rent actually paid in cash, or its equivalent, which is attributable (a) to the property tax paid on the unit or (b) to the amount~~ 20 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. ~~The amount of rent attributable to property taxes paid or payments in lieu made on the unit shall be determined by multiplying the gross rent paid by the claimant for the calendar year for the unit by a fraction, the numerator of which is the net tax on the property where the unit is located and the denominator of which is the total scheduled rent. In no case may the rent constituting property taxes exceed 50 percent of the gross rent paid by the claimant during that calendar year. In the case of a claimant who resides in a unit for which (1) a rent subsidy is paid to, or for, the claimant based on the income of the claimant or the claimant's family, or (2) a subsidy is paid to a public housing authority that owns or operates the claimant's rental unit, pursuant to United States Code, title 42, section 1437c, 20 percent of gross rent actually paid in cash or its equivalent shall be the claimant's "rent constituting property taxes paid." For purposes of this subdivision, "rent subsidy" does not include any housing assistance received under aid to families with dependent children, general assistance, Minnesota supplemental assistance, supplemental security income, or similar income maintenance programs.~~

Sec. 2. Minnesota Statutes 1996, 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 before reductions made under section 273.13 but after deductions made under sections 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. 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 ~~the amount~~ 20 percent of the gross rent paid in the preceding year for the site on which the homestead is located~~, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel~~. 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 273.13, subdivision 22 or 23, 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.

Sec. 3. Minnesota Statutes 1996, 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 1,029~~	~~1.2 percent~~	~~18 percent~~	~~$440~~

~~1,030 to 2,059~~	~~1.3 percent~~	~~18 percent~~	~~$440~~
~~2,060 to 3,099~~	~~1.4 percent~~	~~20 percent~~	~~$440~~
~~3,100 to 4,129~~	~~1.6 percent~~	~~20 percent~~	~~$440~~
~~4,130 to 5,159~~	~~1.7 percent~~	~~20 percent~~	~~$440~~
~~5,160 to 7,229~~	~~1.9 percent~~	~~25 percent~~	~~$440~~
~~7,230 to 8,259~~	~~2.1 percent~~	~~25 percent~~	~~$440~~
~~8,260 to 9,289~~	~~2.2 percent~~	~~25 percent~~	~~$440~~
~~9,290 to 10,319~~	~~2.3 percent~~	~~30 percent~~	~~$440~~
~~10,320 to 11,349~~	~~2.4 percent~~	~~30 percent~~	~~$440~~
~~11,350 to 12,389~~	~~2.5 percent~~	~~30 percent~~	~~$440~~
~~12,390 to 14,449~~	~~2.6 percent~~	~~30 percent~~	~~$440~~
~~14,450 to 15,479~~	~~2.8 percent~~	~~35 percent~~	~~$440~~
~~15,480 to 16,509~~	~~3.0 percent~~	~~35 percent~~	~~$440~~
~~16,510 to 17,549~~	~~3.2 percent~~	~~40 percent~~	~~$440~~
~~17,550 to 21,669~~	~~3.3 percent~~	~~40 percent~~	~~$440~~
~~21,670 to 24,769~~	~~3.4 percent~~	~~45 percent~~	~~$440~~
~~24,770 to 30,959~~	~~3.5 percent~~	~~45 percent~~	~~$440~~
~~30,960 to 36,119~~	~~3.5 percent~~	~~45 percent~~	~~$440~~
~~36,120 to 41,279~~	~~3.7 percent~~	~~50 percent~~	~~$440~~
~~41,280 to 58,829~~	~~4.0 percent~~	~~50 percent~~	~~$440~~
~~58,830 to 59,859~~	~~4.0 percent~~	~~50 percent~~	~~$310~~
~~59,860 to 60,889~~	~~4.0 percent~~	~~50 percent~~	~~$210~~
~~60,890 to 61,929~~	~~4.0 percent~~	~~50 percent~~	~~$100~~

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
$0 to 2,239	1.0 percent	6 percent	$1,500
2,240 to 4,499	1.2 percent	8 percent	$1,500
4,500 to 5,619	1.4 percent	8 percent	$1,500
5,620 to 7,879	1.4 percent	14 percent	$1,500
7,880 to 10,119	1.6 percent	14 percent	$1,500
10,120 to 12,359	1.8 percent	20 percent	$1,500
12,360 to 15,739	2.0 percent	20 percent	$1,500
15,740 to 17,979	2.1 percent	25 percent	$1,500
17,980 to 23,599	2.2 percent	31 percent	$1,500
23,600 to 74,999	2.2 percent	36 percent	$1,500
75,000 to 76,999	3.1 percent	50 percent	$1,500
77,000 to 77,999	4.0 percent	50 percent	$1,000
78,000 to 78,999	4.0 percent	50 percent	$ 500
79,000 to 79,999	4.0 percent	50 percent	$ 250

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 ~~$61,930~~ $80,000 or more.

Sec. 4. Minnesota Statutes 1996, section 290A.04, subdivision 6, is amended to read:

Subd. 6. [INFLATION ADJUSTMENT.] Beginning for property tax refunds payable in calendar year ~~1996~~ 1998, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 290.06, subdivision 2d, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on August 31, 1994, to the year ending on August 31 of the year preceding that in which the refund is payable. The commissioner shall not adjust the dollar amounts under subdivision 2 for refunds that are payable in calendar year 1998. Beginning for refunds payable in 1999, the base

year for adjustments of the dollar amounts in subdivision 2 is the year ending August 31, 1997. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a 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.

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.

Sec. 5. Minnesota Statutes 1996, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.]

~~(a)~~ The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent ~~constituting property tax~~ paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request. For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

~~(b) The certificate of rent constituting property taxes must include the address of the property, including the county, and the property tax parcel identification number and any additional information that the commissioner determines is appropriate.~~

~~(c) If the owner or managing agent fails to provide the renter with a certificate of rent constituting property taxes, the commissioner shall allocate the net tax on the building to the unit on a square footage basis or other appropriate basis as the commissioner determines. The renter shall supply the commissioner with a statement from the county treasurer that gives the amount of property tax on the parcel, the address and property tax parcel identification number of the property, and the number of units in the building.~~

~~(d) By January 31 of the year following the year in which the rent was collected, each owner or managing agent shall report to the commissioner on a form prescribed by the commissioner the net tax pertaining to the rental residential part of the property, the total scheduled rent, and the fraction computed under section 290A.03, subdivision 11. A copy of the property tax statement for taxes payable in that year must be attached.~~

Sec. 6. [REPEALER.]

(a) Minnesota Statutes 1996, sections 270B.12, subdivision 11; 276.012; 290A.055; and 290A.26; and Laws 1995, chapter 264, article 4, as amended by Laws 1996, chapter 471, article 3, are repealed. Notwithstanding Minnesota Statutes, section 645.34, the sections of statutes amended by the repealed Laws 1995, chapter 264, article 4, as amended by Laws 1996, chapter 471, article 3, remain in effect.

(b) Minnesota Statutes 1996, sections 290A.03, subdivisions 12a and 14, are repealed.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 5 and 6, paragraph (b), are effective for refunds based on property taxes payable in 1998 and rent paid in 1997 and following years. Section 6, paragraph (a), is effective the day following final enactment.

ARTICLE 4

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1996, section 273.1399, subdivision 6, is amended to read:

Subd. 6. [EXEMPT DISTRICTS.] (a) The provisions of this section do not apply to exempt tax increment financing districts as specified by this subdivision.

(b) A tax increment financing district for an ethanol production facility that satisfies all of the following requirements is exempt:

(1) The district is an economic development district, that qualifies under section 469.176, subdivision 4c, paragraph (a), clause (1).

(2) The facility is certified by the commissioner of agriculture to qualify for state payments for ethanol development under section 41A.09 to the extent funds are available.

(3) Increments from the district are used only to finance the qualifying ethanol development project located in the district or to pay for administrative costs of the district.

(4) The district is located outside of the seven-county metropolitan area, as defined in section 473.121.

(5) The tax increment financing plan was approved by a resolution of the county board.

(6) The exemption provided by this paragraph applies until the first year after the total amount of increment for the district exceeds $1,500,000. The county auditor shall notify the commissioner of revenue of the expiration of the exemption by June 1 of the year in which the auditor projects the revenues from increments will exceed $1,500,000. On or before the expiration of the exemption, the municipality may elect to make a qualifying local contribution under paragraph (d) in lieu of the state aid reduction.

(c) A qualified housing district is exempt.

(d)(1) A district is exempt if the municipality elects at the time of approving the tax increment financing plan for the district to make a qualifying local contribution. To qualify for the exemption in each year, the authority or the municipality must make a qualifying local contribution equal to the listed percentages of increment from the district or subdistrict:

(A) for an economic development district, a housing district, or a renewal and renovation district, ten percent;

(B) for a redevelopment district, a mined underground space district, or a hazardous substance subdistrict, ~~or a soils condition district,~~ five percent.

(2) If the municipality elects to make a qualifying contribution and fails to make the required contribution for a year, the state aid reduction applies for the year. The state aid reduction equals the greater of (A) the required local contribution or (B) the amount of the aid reduction that applies under subdivision 3. For a district exempt under paragraph (b), no qualifying local contribution is required for years in which the district is exempt.

(3)(A) If the sum of required local contributions for all districts in the municipality exceeds two percent of city net tax capacity as defined in section 477A.011, subdivision 20, for a year, the municipality's total required local contribution for that year is limited to two percent of net tax capacity to qualify for the exemption under this subdivision. The municipality may allocate the contribution among the districts on which it has made elections as it determines appropriate.

(B) If a municipality makes an election under this subdivision for a district in a year in which item (A) applies, a minimum annual qualifying contribution must be made for the district equal to the lesser of 0.25 percent of city net tax capacity or three percent of increment revenues. This minimum contribution applies for the life of the district for each year that the restriction in item (A) applies and is in addition to the contribution required by item (A).

(4) The amount of the local contribution must be made out of unrestricted money of the authority or municipality, such as the general fund, a property tax levy, or a federal or a state grant-in-aid which may be spent for general government purposes. The local contribution may not be made, directly or indirectly, with tax increments or developer payments as defined under section 469.1766. The local contribution must be used to pay project costs and cannot be used for general government purposes or for improvements or costs that the authority or municipality planned to incur absent the project. The authority or municipality may request contributions from other local government entities that will benefit from the district's activities. These contributions reduce the local contribution required of the municipality or authority by this paragraph. Cities, counties, towns, and schools may contribute to paying these costs, notwithstanding any other law to the contrary.

(5) The municipality may make a local contribution in excess of the required contribution for a year. If it does so, the municipality may credit the excess to a local contribution account for the district. The balance in the account may be used to meet the requirements for qualifying local contributions for later years. No interest or investment earnings may be credited or imputed to the account, except those (A) actually paid by the municipality out of its unrestricted funds or by another person or entity, other than a developer as used in section 469.1766, and (B) used as required for a qualifying local contribution.

(6) If the state contributes to the project costs through a direct grant or similar incentive, the required local contribution is reduced by one-half of the dollar amount of the state grant or other similar incentive.

(e) A heritage and historic subdistrict is exempt.

Sec. 2. Minnesota Statutes 1996, section 273.1399, is amended by adding a subdivision to read:

Subd. 9. [ELECTION TO APPLY LOCAL CONTRIBUTION.] A district is exempt regardless of the date of its creation if the municipality files with the county auditor no later than December 1, 1997, a statement that it elects to make a qualifying contribution under subdivision 6, paragraph (d), and annually thereafter makes the required contribution.

Sec. 3. Minnesota Statutes 1996, section 469.174, subdivision 4, is amended to read:

Subd. 4. [CAPTURED NET TAX CAPACITY.] "Captured net tax capacity" means the amount by which the current net tax capacity of a tax increment financing district or an extended subdistrict exceeds the original net tax capacity, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity. In the case of a ~~hazardous substance~~ subdistrict, except an extended subdistrict, "captured net tax capacity" means the amount, if any, by which the lesser of (1) the original net tax capacity or (2) the current net tax capacity of the portion of the tax increment financing district overlying the subdistrict exceeds the original net tax capacity of the subdistrict.

Sec. 4. Minnesota Statutes 1996, section 469.174, subdivision 7, is amended to read:

Subd. 7. [ORIGINAL NET TAX CAPACITY.] (a) Except as provided in paragraph (b), "original net tax capacity" means the tax capacity of all taxable real property within a tax increment financing district as certified by the commissioner of revenue for the previous assessment year, provided that the request by an authority for certification of a new tax increment financing district or for the expansion of an existing district has been made to the county auditor by June 30. The original tax capacity of districts for which requests are filed after June 30 has an original tax capacity based on the current assessment year. In any case, the original tax capacity must be determined together with subsequent adjustments as set forth in section 469.177, subdivisions 1 and 4. In determining the original net tax capacity the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

(b) The original net tax capacity of any designated hazardous substance site or hazardous substance subdistrict shall be determined as of the date the authority certifies to the county auditor that the authority has entered a redevelopment or other agreement for the removal actions or remedial actions specified in a development response action plan, or otherwise provided funds to finance the development response action plan. The original net tax capacity equals (i) the net tax capacity of the parcel or parcels in the site or hazardous substance subdistrict, as most recently determined by the commissioner of revenue, less (ii) the estimated costs of the removal actions and remedial actions as specified in a development response action plan to be undertaken with respect to the parcel or parcels, (iii) but not less than zero.

(c) The original net tax capacity of a hazardous substance site or hazardous substance subdistrict shall be increased by the amount by which it was reduced pursuant to paragraph (b), clause (ii), upon certification by the municipality that the cost of the removal and remedial actions specified in the development response action plan, except for long-term monitoring and similar activities, have been paid or reimbursed.

(d) For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly owned property.

(e) The original net tax capacity of a heritage and historic subdistrict shall be determined as of the date the authority requests certification of the subdistrict. The original net tax capacity equals (1) the net tax capacity of the parcel or parcels in the heritage and historic subdistrict, as most recently determined by the commissioner of revenue, less (2) the estimated costs as specified in the tax increment financing plan to be undertaken with respect to the parcel or parcels, (3) but not less than zero.

(f) The original net tax capacity of a heritage and historic subdistrict shall be increased by the amount by which it was reduced pursuant to paragraph (e), clause (2), upon certification by the municipality that the costs specified in the tax increment financing plan have been paid or reimbursed.

Sec. 5. Minnesota Statutes 1996, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; ~~or~~

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(3) the presence of hazardous substances, pollution, or contaminants will require removal or remediation action, and with respect to each parcel in the proposed district either:

(i) the estimated cost of the proposed removal and remediation action exceeds the fair market value of the land before completion of the preparation; or

(ii) the estimated cost of the proposed removal or remediation action exceeds $2 per square foot for the area of the parcel.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. If the evidence supports a reasonable conclusion that the building is not disqualified as structurally substandard, the municipality may make such a determination without an interior inspection or an independent, expert appraisal of the cost of repair and rehabilitation of the building.

A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (h).

(c) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.

(d) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

(e) The proposed removal or remediation action supporting the creation of a district under paragraph (a), clause (3), must be specified in a development action response plan to satisfy the requirements of paragraph (a), clause (3).

Sec. 6. Minnesota Statutes 1996, section 469.174, subdivision 12, is amended to read:

Subd. 12. [ECONOMIC DEVELOPMENT DISTRICT.] "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, not meeting the requirements found in the definition of redevelopment district, renewal and renovation district, ~~soils condition district,~~ mined underground space development district, or housing district, but which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or

(2) it will result in increased employment in the state; or

(3) it will result in preservation and enhancement of the tax base of the state.

Sec. 7. Minnesota Statutes 1996, section 469.174, subdivision 16, is amended to read:

Subd. 16. [DESIGNATED HAZARDOUS SUBSTANCE SITE.] "Designated hazardous substance site" means any parcel or parcels with respect to which the authority has certified to the county auditor that the authority has entered into a redevelopment or other agreement providing for the removal actions or remedial actions specified in a development response action plan or the

authority will use other available money, including without limitation tax increments, to finance the removal or remedial actions. A parcel described in the plan or plan amendment may be designated for inclusion in the hazardous substance subdistrict prior to approval of the development action response plan on the basis of the reasonable expectation of the municipality. Such parcel may not be certified as part of the hazardous substance subdistrict until the development action response plan has been approved.

Sec. 8. Minnesota Statutes 1996, section 469.174, subdivision 23, is amended to read:

Subd. 23. [HAZARDOUS SUBSTANCE SUBDISTRICT.] "Hazardous substance subdistrict" ~~or "subdistrict"~~ means a hazardous substance subdistrict created under section 469.175, subdivision 7.

Sec. 9. Minnesota Statutes 1996, section 469.174, subdivision 24, is amended to read:

Subd. 24. [EXTENDED SUBDISTRICT.] "Extended subdistrict" means a hazardous substance subdistrict or a heritage and historic subdistrict, but only for any period during which the subdistrict remains in effect after the overlying tax increment district has terminated.

Sec. 10. Minnesota Statutes 1996, section 469.174, is amended by adding a subdivision to read:

Subd. 25. [HERITAGE AND HISTORIC SUBDISTRICT.] "Heritage and historic subdistrict" means a heritage and historic subdistrict created under section 469.175, subdivision 9.

Sec. 11. Minnesota Statutes 1996, section 469.174, is amended by adding a subdivision to read:

Subd. 26. [SUBDISTRICT.] "Subdistrict" means either a hazardous substance subdistrict or a heritage and historic subdistrict.

Sec. 12. Minnesota Statutes 1996, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] (a) A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district’s and any subdistrict’s existence;

(6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district or any subdistrict.

(b) For a housing district, redevelopment district, or a ~~hazardous substance~~ subdistrict, the authority may elect in the tax increment financing plan to provide for the identification of a minimum market value in the plan, development agreement, or assessment agreement, and provide that increment is first received by the authority when (1) the market value of the improvements as determined by the assessor reaches or exceeds the minimum market value, or (2) four years has elapsed from the date of certification of the original net tax capacity of the taxable real property in the district or subdistrict by the county auditor, whichever is earlier.

Sec. 13. Minnesota Statutes 1996, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a mined underground space development district, a housing district, ~~a soils condition district,~~ or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be retained and made available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this clause do not apply if the district is a qualified housing district, as defined in section 273.1399, subdivision 1.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Sec. 14. Minnesota Statutes 1996, section 469.175, subdivision 7, is amended to read:

Subd. 7. [CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT; RESPONSE ACTIONS.] (a) An authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing, and findings required for approval of or modification to the original plan. The geographic area of the hazardous substance subdistrict is made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous to the hazardous substance sites, including parcels that are contiguous to the site except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan or plan modification providing for the creation of the hazardous substance subdistrict, the authority must make the findings under paragraphs (b) to (d), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the site, in the opinion of the authority, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The hazardous substance subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the authority to provide for the additional costs due to the designated hazardous substance site.

(e) Upon request by an authority that has incurred expenses for removal or remedial actions to implement a development response action plan, the attorney general may:

(1) bring a civil action on behalf of the authority to recover the expenses, including administrative costs and litigation expenses, under section 115B.04 or other law; or

(2) assist the authority in bringing an action as described in clause (1), by providing legal and technical advice, intervening in the action, or other appropriate assistance.

The decision to participate in any action to recover expenses is at the discretion of the attorney general.

(f) If the attorney general brings an action as provided in paragraph (e), clause (1), the authority shall certify its reasonable and necessary expenses incurred to implement the development response action plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the authority is prima facie evidence that the expenses are reasonable and necessary. The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (e), clause (1). The authority shall reimburse the attorney general for litigation expenses not recovered in an action under paragraph (e), clause (1), but only from the additional tax increment required to be

used as described in section 469.176, subdivision 4e. The authority must reimburse the attorney general for litigation expenses incurred to assist in bringing an action under paragraph (e), clause (2), but only from amounts recovered by the authority in an action or, if the amounts are insufficient, from the additional tax increment required to be used as described in section 469.176, subdivision 4e. All money recovered or paid to the attorney general for litigation expenses under this paragraph shall be paid to the general fund of the state for deposit to the account of the attorney general. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

(g) The authority shall reimburse the pollution control agency for its administrative expenses incurred to review and approve a development action response plan. The authority must reimburse the pollution control agency for expenses incurred for any services rendered to the attorney general to support the attorney general in actions brought or assistance provided under paragraph (e), but only from amounts recovered by the authority in an action brought under paragraph (e) or from the additional tax increment required to be used as described in section 469.176, subdivision 4e. All money paid to the pollution control agency under this paragraph shall be deposited in the environmental response, compensation and compliance fund.

(h) Actions taken by an authority consistent with a development response action plan are deemed to be authorized response actions for the purpose of section 115B.17, subdivision 12. An authority that takes actions consistent with a development response action plan qualifies for the defenses available under sections 115B.04, subdivision 11, and 115B.05, subdivision 9.

(i) All money recovered by an authority in an action brought under paragraph (e) in excess of the amounts paid to the attorney general and the pollution control agency must be treated as excess increments and be distributed as provided in section 469.176, subdivision 2, clause (4), to the extent the removal and remedial actions were initially financed with increment revenues.

Sec. 15. Minnesota Statutes 1996, section 469.175, is amended by adding a subdivision to read:

Subd. 9. [CREATION OF HERITAGE AND HISTORIC SUBDISTRICT.] (a) An authority which is creating or has created a tax increment financing district may establish within the district a heritage and historic subdistrict upon the notice and after discussion, public hearing, and findings required for approval of or modification to the original plan. The geographic area of the subdistrict shall include only those parcels in the district which, in whole or in part, either:

(1) are listed in the National Register of Historic Places maintained by the Department of Interior pursuant to the National Historic Preservation Act of 1966;

(2) contain a certified historic structure as defined in section 47(c)(3)(A) of the Internal Revenue Code which has been certified by the Secretary of the Interior; or

(3) are located in a certified local district as designated by either a certified local government or a historic preservation commission pursuant to the National Historic Preservation Act of 1966 and whose designation is also approved by the state historic preservation officer.

Before or at the time of approval of the tax increment financing plan or plan modification providing for the creation of the heritage and historic subdistrict, the authority must make the findings under paragraphs (b) and (c), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the heritage and historic subdistrict, in the opinion of the authority, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the heritage and historic subdistrict is deemed necessary.

(c) The heritage and historic subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the authority to provide for the additional costs due to the designated heritage and historic subdistrict.

(d) Each parcel in a heritage and historic subdistrict must comply with the requirements of paragraph (a) for the duration of the heritage and historic subdistrict.

Sec. 16. Minnesota Statutes 1996, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. [DURATION LIMITS; TERMS.] (a) No tax increment shall in any event be paid to the authority

(1) after 25 years from date of receipt by the authority of the first tax increment for a mined underground space development district,

(2) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

(3) ~~after 12 years from approval of the tax increment financing plan for a soils condition district,~~

~~(4)~~ after nine years from the date of the receipt, or 11 years from approval of the tax increment financing plan, whichever is less, for an economic development district,

~~(5)~~ (4) for a housing district or a redevelopment district, after 20 years from the date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section 469.175, subdivision 1, paragraph (b), after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f. For purposes of determining a durational limit under this subdivision that is based on first receipt of tax increment, any increment received based on the captured net tax capacity of a hazardous substance subdistrict shall be disregarded.

Sec. 17. Minnesota Statutes 1996, section 469.176, subdivision 1e, is amended to read:

Subd. 1e. [DURATION LIMITS; HAZARDOUS SUBSTANCE SUBDISTRICTS.] If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by subdivisions 1 to 1f for the overlying district. The extended period for collection of tax increment begins on the date of receipt of the first tax increment from the parcel that is received after the date of certification to the county auditor described in section 469.174, subdivision 7, paragraph (b), and is either the first tax increment received from the parcel or more than any tax increment received from the parcel before the date of the certification under section 469.174, subdivision 7, paragraph (b)~~, and received after the date of certification to the county auditor described in section 469.174, subdivision 7, paragraph (b)~~. The extended period for collection of tax increment is the lesser of: (1) 25 years from the date of commencement of the extended period or 20 years if the authority elects under section 469.175, subdivision 1, paragraph (b), to defer receipt of the first increment; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

Sec. 18. Minnesota Statutes 1996, 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; or

(6) space necessary for and related to the activities listed in clauses (1) to (5).

(b) Notwithstanding the provisions of this subdivision, revenue derived from tax increment from an economic development district may be used to pay for site preparation and public improvements, if the following conditions are met:

(1) bedrock soils conditions are present in 80 percent or more of the acreage of the district;

(2) the estimated cost of physical preparation of the site exceeds the fair market value of the land before completion of the preparation; and

(3) revenues from tax increments are expended only for the additional costs of preparing the site because of unstable soils and the bedrock soils condition, the additional cost of installing public improvements because of unstable soils or the bedrock soils condition, and reasonable administrative costs.

(c) 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 5,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a home rule charter or statutory city that has a population of 5,000 or less and that is located ten miles or more from a city that has a population of 10,000 or more.

Sec. 19. Minnesota Statutes 1996, section 469.176, subdivision 4e, is amended to read:

Subd. 4e. [HAZARDOUS SUBSTANCE SUBDISTRICTS.] The additional tax increment received by the municipality from a hazardous substance subdistrict as a result of a reduction in original net tax capacity pursuant to section 469.174, subdivision 7, paragraph (b), or as a result of the extension of the period for collection of tax increment from a hazardous substance site or hazardous substance subdistrict provided for in subdivision 1, paragraph (g), may be used only to pay or reimburse the costs of: (1) removal actions or remedial actions with respect to hazardous substances or pollutants or contaminants or petroleum releases affecting or which may affect the designated hazardous substance site; (2) pollution testing, demolition, and soil compaction correction necessitated by the development response action plan for the designated hazardous substance site; (3) purchase of environmental insurance or deposits to a guaranty fund, relating only to liability or response costs for land in the hazardous substance subdistrict; and (4) related administrative and legal costs, including costs of review and approval of development response action plans by the pollution control agency and litigation expenses of the attorney general.

Sec. 20. Minnesota Statutes 1996, section 469.176, subdivision 4j, is amended to read:

Subd. 4j. [REDEVELOPMENT DISTRICTS.] At least 90 percent of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under section 469.174. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the authority, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

Sec. 21. Minnesota Statutes 1996, section 469.176, is amended by adding a subdivision to read:

Subd. 4k. [HERITAGE AND HISTORIC SUBDISTRICTS.] The tax increment received by the municipality from a heritage and historic subdistrict may be used only to pay or reimburse the costs of activities within the subdistrict that are:

(1) described in subdivision 4e;

(2) described in subdivision 4j; or

(3) capital expenditures of a type that would be eligible for a rehabilitation credit, as defined in section 47 of the Internal Revenue Code, regardless of whether the project is eligible for a credit or a credit is actually utilized. If a credit is not applied for, the municipality shall review the eligible capital expenditures and determine whether they meet the requirements applicable under section 47 of the Internal Revenue Code. In making this determination, the municipality shall consult with any applicable historic preservation commission and the determination shall be approved by the state historic preservation officer. The tax increment financing plan shall identify those section 47 eligible expenditures which may be paid from tax increments.

Sec. 22. Minnesota Statutes 1996, section 469.176, subdivision 5, is amended to read:

Subd. 5. [REQUIREMENT FOR AGREEMENTS.] No more than 25 percent, by acreage, of the property to be acquired within a project which contains a redevelopment district, or ten percent, by acreage, of the property to be acquired within a project which contains a housing or economic development district, as set forth in the tax increment financing plan, shall at any time be owned by an authority as a result of acquisition with the proceeds of bonds issued pursuant to section 469.178 to which tax increment from the property acquired is pledged unless prior to acquisition in excess of the percentages, the authority has concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the authority should the development or redevelopment not be completed. This subdivision does not apply to a parcel of a district that is a designated hazardous substance site established under section 469.174, subdivision 16, or part of a hazardous substance subdistrict established under section 469.175, subdivision 7, or part of a heritage and historic subdistrict established under section 469.175, subdivision 9.

Sec. 23. [469.1764] [EXPENDITURES ON ACTIVITIES WITHIN TAX INCREMENT DISTRICT.]

For purposes of sections 469.174 to 469.179, and with respect to any project for which certification of a tax increment district was requested prior to August 1, 1979, any expenditure made to finance a treatment works facility, water tower, or other waterworks facility, an electric generation facility, or any other public utility facility located outside of a tax increment district and reasonably allocated to users within a tax increment district or project for which certification was requested prior to August 1, 1979, shall be deemed to have been expended on activities in the tax increment district or project area.

Sec. 24. Minnesota Statutes 1996, section 469.1765, subdivision 2, is amended to read:

Subd. 2. [ELIGIBLE PERSON.] The authority may agree to pledge money in the guaranty fund to indemnify a person whose liability arises out of use, ownership, occupancy, or financing of a property in the hazardous substance subdistrict or district.

Sec. 25. Minnesota Statutes 1996, section 469.1765, subdivision 3, is amended to read:

Subd. 3. [TERMS OF INDEMNITY.] The authority shall determine by resolution or by agreement with the person the terms and conditions under which money in the guaranty fund will be used to indemnify or hold harmless the person. The authority may not agree to indemnify a person from liability for contamination caused by the person. The maximum amount that may be paid from the guaranty fund with respect to properties within a hazardous substance subdistrict or district is one-half of the remediation and removal costs. The maximum duration of an indemnification agreement is 25 years. An indemnification agreement is subject to any other restrictions provided by this section or other law.

Sec. 26. Minnesota Statutes 1996, section 469.1765, subdivision 4, is amended to read:

Subd. 4. [FUNDING.] (a) Revenues derived from tax increments and any other money available to the authority may be deposited in the guaranty fund. The municipality may appropriate money to the authority to be deposited in the guaranty fund.

(b) If a guaranty fund is established that applies to property located in more than one tax increment financing district or hazardous substance subdistrict, the authority shall establish separate accounts for each hazardous substance subdistrict and district. The authority shall deposit all revenues derived from tax increments from a hazardous substance subdistrict or district in the account for that hazardous substance subdistrict or district, except the following amounts may be deposited in a general or other account: (1) the portion of revenue derived increments from a district, subject to section 469.1763, that may be spent on activities outside of the district, or (2) up to 25 percent of the revenues derived from increments from districts that are not subject to section 469.1763 and which may be deposited in the guaranty fund under the applicable tax increment financing plans. Investment earnings of money in an account must be credited to that account.

(c) The only money which may be pledged to indemnify or hold harmless a person from liability are amounts either in the account for the hazardous substance subdistrict or district in which the property out of which the liability arose is located or in an account not dedicated to a specific hazardous substance subdistrict or district.

Sec. 27. Minnesota Statutes 1996, section 469.1765, subdivision 7, is amended to read:

Subd. 7. [FINAL DISPOSITION OF FUNDS.] At the end of the period of the indemnification, all unencumbered money in the guaranty fund for the hazardous substance subdistrict or district must be treated as an excess increment and distributed under the provisions of section 469.176, subdivision 2, paragraph (a), clause (4). If the municipality contributed money to the account, other than revenues derived from increments, the authority may deduct and pay to the municipality a proportionate share of the unencumbered money in the account before the money is distributed as an excess increment. The proportionate share is determined based on the amount of contributions of nonincrements to the account relative to total contributions, including increments, to the account.

Sec. 28. Minnesota Statutes 1996, section 469.177, subdivision 3, is amended to read:

Subd. 3. [TAX INCREMENT, RELATIONSHIP TO CHAPTERS 276A AND 473F.] (a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply to a district other than an economic development district for which the request for certification was made after June 30, 1997:

(1) The original net tax capacity and the current net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 276A or 473F. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

(b) The following method of computation applies to any economic development district for which the request for certification was made after June 30, 1997, and to any other district for which the governing body ~~may~~, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, ~~elect the following method of computation~~ elects:

(1) The original net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 276A or 473F. The current net tax capacity shall exclude any fiscal disparity commercial-industrial net tax capacity increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 276A.06, subdivision 7, or 473F.08, subdivision 6. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to paragraph (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).

Sec. 29. Laws 1995, chapter 264, article 5, section 44, subdivision 4, as amended by Laws 1996, chapter 471, article 7, section 21, is amended to read:

Subd. 4. [AUTHORITY.] For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing replacement projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency. For housing replacement projects in the city of St. Paul, "authority" means the St. Paul housing and redevelopment authority. For housing replacement projects in the city of Duluth, "authority" means the Duluth economic development authority. For housing replacement projects in the city of Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Richfield. For housing replacement projects in the city of Columbia Heights, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Columbia Heights.

Sec. 30. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, is amended to read:

Subdivision 1. [CREATION OF PROJECTS.] (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, ~~and~~ Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of Minneapolis, St. Paul, and Duluth, each authority may designate up to 100 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Sec. 31. [CITY OF BROOKLYN CENTER; USE OF TAX INCREMENT FINANCING.]

Subdivision 1. [APPLICATION OF TIME LIMIT.] For tax increment financing district number 3, established on December 19, 1994, by Brooklyn Center Resolution No. 94-273, Minnesota Statutes, section 469.1763, subdivision 3, applies to the district by permitting a period of ten years for commencement of activities within the district.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Brooklyn Center and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 32. [CITY OF BUFFALO LAKE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXTENSION OF TIME FOR CERTIFICATION.] Notwithstanding the provisions of Minnesota Statutes, section 273.1399, subdivision 6, paragraph (b), clause (2), tax increment financing district 1-1 in the city of Buffalo Lake is an exempt district under Minnesota Statutes, section 273.1399, paragraph (b), if the facility is certified by the commissioner of agriculture by December 31, 1998.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Buffalo Lake and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 33. [CITY OF FOLEY; TAX INCREMENT FINANCING EXPENDITURES.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding any law to the contrary, expenditures by the city of Foley before January 1, 1998, of revenue derived from tax increment financing district number 1 to finance a wastewater treatment facility located outside of the district are authorized expenditures of that revenue.

Subd. 2. [EFFECTIVE DATE; APPLICABILITY.] Pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), this section is effective without local approval the day following final enactment and, subject to the limitation in subdivision 1, applies to revenues expended before and after the effective date.

Sec. 34. [CITY OF GAYLORD; TIF DISTRICT EXTENSION AND EXPANSION.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the city of Gaylord may, by resolution, extend the duration of a tax increment financing district originally certified in 1978. The city may not extend the duration beyond December 31, 2018.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Gaylord and compliance with the requirements of Minnesota Statutes, sections 469.1782 and 645.021, subdivision 3.

Sec. 35. [CITY OF MINNETONKA; HOUSING DEVELOPMENT ACCOUNT.]

Subdivision 1. [DEPOSITS IN ACCOUNT.] The Minnetonka economic development authority may deposit the balance of revenues derived from tax increment from housing tax increment financing district No. 1 in the housing development account of the authority. These increments may be expended for housing activities in accordance with the tax increment financing plan, if before depositing the increments or making any expenditures for housing activities under this section, the authority and city:

(1) elect, by resolution, to decertify housing tax increment financing district No. 1 as of December 31, 1997; and

(2) identify in the plan the housing activities that will be assisted by the housing development account.

The election to decertify and any necessary plan amendment may be approved before or after the effective date of this section.

Subd. 2. [PERMITTED HOUSING ACTIVITIES.] For the purposes of this section, housing activities:

(1) may include rehabilitation, acquisition, demolition, and financing of new or existing single family or multifamily housing and public improvements directly related to such activities, together with other related activities specified in the housing action plan approved by the city or the authority in compliance with Minnesota Statutes, sections 473.25 to 473.254;

(2) may be located anywhere within the city without regard to the boundaries of any tax increment financing district or project area; and

(3) for rental and owner-occupied housing, must meet the income, rent, or sales price limitations established from time to time by the metropolitan council under Minnesota Statutes, sections 473.25 to 473.254.

Subd. 3. [SEPARATE ACCOUNT REQUIRED.] Tax increment to be expended for housing activities under this section must be segregated by the authority into a special housing development account on its official books and records. The account may also receive funds from other public and private sources.

Subd. 4. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Minnetonka and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. [CITY OF MINNEAPOLIS; HOUSING TRANSITION DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] As used in sections 36 to 39, the terms defined in this section have the meanings given them.

Subd. 2. [AUTHORITY.] "Authority" or "authorities" means the Minneapolis public housing authority and the Minneapolis community development agency if and to the extent that the governing body has delegated to either the powers and duties related to the housing transition district under section 37, subdivision 4, paragraph (b).

Subd. 3. [CAPTURED NET TAX CAPACITY.] "Captured net tax capacity" means the amount by which the current net tax capacity of the housing transition district exceeds the original net tax capacity, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax exempt entity.

Subd. 4. [CITY.] "City" means the city of Minneapolis.

Subd. 5. [CONSENT DECREE.] "Consent decree" means the order of the United States District Court issued in connection with Hollman et al. vs. Cisneros et al., United States District Court, Civil Case 4-92-712, as may be amended from time to time.

Subd. 6. [COUNTY AUDITOR.] "County auditor" means the county auditor of Hennepin county.

Subd. 7. [GOVERNING BODY.] "Governing body" means the city council of the city.

Subd. 8. [HOUSING TRANSITION DISTRICT; DISTRICT.] "Housing transition district" or "district" means a geographic area within the city designated by the governing body containing or which contained public housing structures scheduled for demolition or demolished in accordance with the terms of the consent decree.

Subd. 9. [NONTAXABLE PARCEL.] "Nontaxable parcel" means a parcel to be included within the housing transition district which at the time of certification is not subject to property taxation by reason of public ownership.

Subd. 10. [ORIGINAL NET TAX CAPACITY.] (a) With respect to nontaxable parcels within the district, "original net tax capacity" means zero.

(b) With respect to taxable parcels within the district, "original net tax capacity" means the net tax capacity of the parcels as certified by the commissioner of revenue for the appropriate assessment year. When a taxable parcel has been assigned an original net tax capacity by the county auditor pursuant to this paragraph, and a structure upon the parcel is later demolished, the original net tax capacity of the parcel must be reduced to the net tax capacity of the land only as certified by the commissioner of revenue for the appropriate assessment year. For purposes of this subdivision, the appropriate assessment year is the previous assessment year if a request by the authority for certification has been made to the county auditor by June 30. If the request for certification is filed after June 30, the appropriate assessment year is the current assessment year.

Subd. 11. [PARCEL.] "Parcel" means a tract or plat of land established prior to the certification of the district as a single unit for purposes of assessment.

Subd. 12. [PREEXISTING DISTRICT.] "Preexisting district" means any tax increment district within which is located a parcel proposed to be included within the housing transition district.

Subd. 13. [TAXABLE PARCEL.] "Taxable parcel" means a parcel to be included within the housing transition district which is subject to property taxation at the time of certification.

Sec. 37. [ESTABLISHMENT OF HOUSING TRANSITION DISTRICT.]

Subdivision 1. [CREATION.] The governing body may establish a housing transition district within the city. The parcels included within the district need not be contiguous but must all be designated and included at the time the district is initially established. Parcels must not be added to the district after its initial certification.

Subd. 2. [TAX INCREMENT.] (a) Upon request of the authority, the county auditor shall certify the original net tax capacity of the district and shall certify in each year thereafter the amount by which the original net tax capacity increases as a result of the conditions described in Minnesota Statutes, section 469.177, subdivision 4, or decreases as a result of the conditions described in Minnesota Statutes, section 469.177, subdivision 1, paragraph (g), or section 36, subdivision 10, paragraph (b). No other changes shall be made in original net tax capacity once certified by the county auditor.

(b) The provisions of Minnesota Statutes, section 469.177, subdivisions 1a and 3 to 10, apply to the computation of tax increment for the housing transition district created under sections 36 to 39.

(c) If an authority's request for certification includes nontaxable parcels then within a preexisting district, the county auditor shall remove the parcels from the preexisting district. If an authority's request for certification includes taxable parcels then within a preexisting district, the county auditor shall allocate all taxes derived from the captured net tax capacity attributable thereto to the preexisting district and shall not make the original net tax capacity adjustments described in section 36, subdivision 10, paragraph (b).

Subd. 3. [HOUSING TRANSITION DISTRICT PLAN.] To establish a housing transition district, the governing body shall adopt a housing transition district plan which constitutes a tax increment financing plan, as used in those provisions of Minnesota Statutes, sections 469.174 to 469.1781, made applicable by section 39, and contains the following:

(1) a general description of the plans for development of the district;

(2) a description of the parcels to be included in the district, including such information regarding each as shall establish that the district meets the conditions described in section 36, subdivision 8;

(3) the most recent net tax capacity of each parcel included in the district;

(4) a budget containing estimated tax increment collections and expenditures as authorized or permitted by sections 36 to 39;

(5) estimates of the sources of revenue, public and private, other than tax increment, to pay estimated or budgeted costs;

(6) statements of the alternate estimated impacts of the housing transition district on the net tax capacities of all taxing jurisdictions in which the housing transition district is located in whole or in part. For purposes of one statement, the statement shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the housing transition district, and for purposes of the second statement, it shall be assumed that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the housing transition district.

Subd. 4. [PROCEDURE.] (a) The provisions of Minnesota Statutes, section 469.175, subdivisions 3, 5, 6, and 6a, apply to the establishment and operation of the housing transition district created under sections 36 to 39, except the determinations required by Minnesota Statutes, section 469.175, subdivision 3, clauses (1) and (2), are not required.

(b) Upon approval of the housing transition district plan, the governing body shall delegate to one or both of the authorities the powers and duties regarding the implementation and administration of the housing transition district as it determines appropriate.

Sec. 38. [LIMITATIONS.]

Subdivision 1. [DURATION.] Tax increment generated by the district must cease to be paid to the authority after the expiration of 20 years from the receipt by the authority of the first tax increment from the district.

Subd. 2. [USE.] (a) All tax increment received by the authority from the district shall be used in accordance with the housing transition district plan.

(b) Tax increment may be used to pay the costs of:

(1) acquiring title to or an ownership interest in any property within the district;

(2) relocating owners of or tenants in any property within the district;

(3) demolishing all or a part of any structures or other improvements within the district;

(4) site preparation, soil correction, and infrastructure improvements within the district;

(5) rehabilitating or constructing any housing structures or other improvements within the district;

(6) constructing public improvements associated with development within the district;

(7) making loans or grants to public or private entities in order to facilitate development within the district; and

(8) administering the creation and operation of the district or the implementation of the consent decree, including reimbursement for costs previously incurred or advanced and not reimbursed.

(c) The authority may pay the costs authorized by this subdivision, directly, through the issuance and sale of obligations pursuant to Minnesota Statutes, section 469.178, by means of loans or grants to the current or future owners of property within the district, or through the exercise of any authority contained in Minnesota Statutes, sections 469.001 to 469.047.

Sec. 39. [APPLICABILITY OF OTHER LAWS.]

Minnesota Statutes, section 273.1399, does not apply to the housing transition district or tax increment generated pursuant to sections 36 to 39. Minnesota Statutes, sections 469.174 to 469.179, shall apply to the housing transition district or tax increment generated pursuant to sections 36 to 39 only to the extent specified in sections 36 to 39. The housing transition district shall not have a longer duration than permitted by general law for purposes of Minnesota Statutes, section 469.1782.

Sec. 40. [CITIES OF MINNEAPOLIS AND ST. PAUL; TAX INCREMENT DISTRICT.]

Subdivision 1. [AUTHORIZATION.] (a) The city of Minneapolis and the city of St. Paul may each establish a project to be known as the southeast Minneapolis and west St. Paul industrial area, referred to in this section as "the SEMI area project." As used in this section, "the SEMI area" is an area that is bounded on the north by Rollins Avenue to 17th Avenue Southeast to Elm Street Southeast extended to the north line of the Burlington Northern (Burlington/Santa Fe) right-of-way extended to Minnesota Highway 280, on the east by Minnesota Highway 280, on the south by University Avenue, and on the west by Oak Street to Eighth Street Southwest to 15th Avenue Southeast to Rollins Avenue. Any parcel that is partially or wholly situated in the SEMI area in the city of Minneapolis may be included in one or more redevelopment tax increment financing districts of the city of Minneapolis if the request for certification of the district is submitted to the Hennepin county auditor by December 31, 2018. Any parcel that is partially or wholly situated in the SEMI area in the city of St. Paul may be included in one or more redevelopment tax increment financing districts of the city of St. Paul if the request for certification of the district is submitted to the Ramsey county auditor by December 31, 2018.

(b) Minnesota Statutes, section 469.176, subdivision 4i, does not apply to any tax increment financing district in the SEMI area, regardless of when the request for certification of the district was made, including requests made before the date of final enactment of this act. Minnesota Statutes, section 469.1763, subdivision 3, applies to any such district by imposing a ten-year limit rather than a five-year limit for commencement of activities within the district.

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] For each tax increment financing district in the SEMI area, all tax increment revenue derived from the parcels in the SEMI area must be expended on activities in the SEMI area in either city or to pay debt service on bonds issued by either city, the Minneapolis community development agency, or the St. Paul housing and redevelopment authority, to the extent that the proceeds of the bonds were used to finance activities in the SEMI area or to pay, or secure payment of, debt service on credit-enhanced bonds issued by either city, the Minneapolis community development agency, or the St. Paul housing and redevelopment authority.

Subd. 3. [POWERS.] (a) Either the city of Minneapolis or the city of St. Paul may exercise any powers in the SEMI area as provided to the Minneapolis community development agency or the city of Minneapolis in Laws 1980, chapter 595, as amended.

(b) The cities and the agency may not make a final decision on the location, capacity, and design of roadways within the SEMI area until the alternative urban areawide review process has been completed and adverse impacts upon the residential neighborhoods surrounding the area have been mitigated or a plan for mitigation has been adopted by the cities and agencies involved in the project.

Subd. 4. [EFFECTIVE DATE.] This section is effective for the city of Minneapolis upon compliance by the governing body of the city with Minnesota Statutes, section 645.021, subdivision 3. This section is effective for the city of St. Paul upon compliance by the governing body of the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 41. [CITY OF NEW BRIGHTON; TAX INCREMENT DISTRICTS.]

Subdivision 1. [AUTHORIZATION.] (a) The city of New Brighton may establish a project to be known as the northwest quadrant area project and a project to be known as the central redevelopment area project.

(b) As used in this section, "the northwest quadrant area" is the area in the city of New Brighton that is bounded on the north by the south boundary line of tax increment district number 8 extended to Long Lake regional park, on the east by I-35W, on the south by I-694, and on the west by Long Lake regional park, and "the central redevelopment area" is the area that is bounded on the north and west by Old Highway 8, on the east by 5th Avenue N.W., and on the south by 1st Street N.W.

(c) Any parcel that is partially or wholly situated in the northwest quadrant area or the central redevelopment area may be included in one or more redevelopment tax increment financing districts within the area if the request for certification of the district is submitted to the Ramsey county auditor by December 31, 2018.

(d) For any district described in this section, Minnesota Statutes, section 469.1763, subdivision 3, applies by imposing a ten-year limit rather a five-year limit for commencement of activities within the district.

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax increment financing district in the northwest quadrant area project, all tax increment revenue derived from the parcels in the northwest quadrant area project must be expended on activities in the northwest quadrant area project, or to pay debt service on bonds issued by the city or the New Brighton economic development authority, to the extent that the proceeds of the bonds were used to finance activities in the northwest quadrant area project or to pay, or secure payment of, debt service on credit enhanced bonds issued by the city or the New Brighton economic development authority.

(b) For each tax increment financing district in the central redevelopment area project, all tax increment revenue derived from the parcels in the central redevelopment area project must be expended on activities in the central redevelopment area project or to pay debt service on bonds issued by the city or the New Brighton economic development authority, to the extent that the proceeds of the bonds were used to finance activities in the central redevelopment area project or to pay, or secure payment of, debt service on credit enhanced bonds issued by the city or the New Brighton economic development authority.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of New Brighton and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 42. [STEVENS COUNTY; TAX INCREMENT FINANCING DISTRICT EXTENSION.]

Subdivision 1. [DURATION EXTENSION.] The Stevens county housing and redevelopment authority may amend the tax increment financing plan for economic development financing district number 1-1 to extend the duration of the district. The duration of the district may be extended until December 31, 2008.

Subd. 2. [EFFECTIVE DATE.] The section is effective upon compliance by the governing body of Stevens county with Minnesota Statutes, sections 645.021, subdivision 3, and 469.1782, subdivision 2.

Sec. 43. [TOWN OF WHITE; ECONOMIC DEVELOPMENT.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, upon approval of the governing body of the town of White by resolution, the duration of tax increment financing districts numbers 1 and 2 of the joint east range economic development authority shall be extended to December 31, 2017.

Subd. 2. [SPECIAL RULES.] (a) Tax increment financing districts numbers 1 and 2 of the joint east range economic development authority are subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) Minnesota Statutes, sections 273.1399, and 469.1782, subdivision 1, do not apply.

(c) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1, tax increment revenue generated from each district may be paid to the authority until the earlier of (1) December 31, 2017; or (2) the date upon which all contractual obligations of the authority for the reimbursement of project costs have terminated.

(d) The application of Minnesota Statutes, section 469.1763, is modified to permit the use of increments from either district to be used to pay any promissory notes issued in connection with either district.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing bodies of the town of White, the county of St. Louis, and independent school district No. 2711 with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 44. [CITY OF DEEPHAVEN; TAX INCREMENT FINANCING.]

Subdivision 1. [AUTHORIZATION OF EXPENDITURES.] Notwithstanding any law to the contrary, the city of Deephaven may expend revenues derived from tax increment financing district number 1-1 that are available and unencumbered on the date of enactment of this act to finance a public improvement located outside of the district. The public improvement must be included in the tax increment plan prior to January 1, 1997.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day upon approval by the governing body of the city of Deephaven and compliance with Minnesota Statutes, section 645.021, subdivision 3, and applies to revenues expended after the date of final enactment.

Sec. 45. [REPEALER.]

Minnesota Statutes 1996, sections 469.174, subdivision 19; and 469.176, subdivision 4b, are repealed.

Sec. 46. [EFFECTIVE DATE.]

Sections 1, 3, 4, 7 to 12, 14, 15, 19, 21, the relevant part of 22, and 24 to 27 are effective for heritage and historic subdistricts created after May 31, 1997.

Sections 2, 16, paragraph (b), 17, 20, the portion of 22 not specific to heritage and historic subdistricts, and 23 apply to all tax increment districts, whenever certified, insofar as the underlying law applies to them, and any uses of tax increment expended prior to the date of enactment of this act which are in compliance with the provisions of those sections are deemed valid.

Sections 5, 6, 13, 16 as related to soils conditions districts, and 45 are effective for districts for which certification is requested after June 30, 1997. Soils condition districts for which certification is requested before that date will continue to be subject to the provisions of Minnesota Statutes 1996, sections 469.174, subdivision 19; and 469.176, subdivisions 1b and 4b, for the duration of their existence.

Sections 29 and 30 are effective upon approval by the governing body of the city of Columbia Heights and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sections 36 to 39 are effective the day following final enactment and upon approval by the governing body of the city of Minneapolis and compliance with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 5

TRUTH IN TAXATION/LEVY LIMITS

Section 1. Minnesota Statutes 1996, section 275.065, subdivision 1, is amended to read:

Subdivision 1. [PROPOSED LEVY.] (a) Notwithstanding any law or charter to the contrary, on or before September 15, each taxing authority, other than a school district, shall adopt a proposed budget and shall certify to the county auditor the proposed or, in the case of a town, the final property tax levy for taxes payable in the following year.

(b) On or before September 30, each school district shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The school district ~~may~~ shall certify the proposed levy as:

(1) ~~a specific dollar amount; or~~ the state general education levy amount as prescribed under section 124A.23, subdivision 2; and

(2) ~~an amount equal to~~ the sum of the remaining school levies, or the maximum levy limitation certified by the commissioner of children, families, and learning ~~to the county auditor~~ according to section 124.918, subdivision 1, less the state general education levy amount under clause (1).

(c) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by September 15, the city shall be deemed to have certified its levies for those taxing jurisdictions.

(d) For purposes of this section, "taxing authority" includes all home rule and statutory cities, towns, counties, school districts, and special taxing districts as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 124.491 to 124.495, and common school districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

Sec. 2. Minnesota Statutes 1996, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes ~~and, in the case of a town, final property taxes~~.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority ~~other than a town~~ proposes to collect for taxes payable the following year ~~and, for a town, the amount of its final levy~~. ~~It~~ In the case of a town, or in the case of the state general education portion of the school district levy, the final tax amount will be its proposed tax. The notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, ~~school district excess referenda levy~~ state general education tax, remaining school district levy, ~~regional library district, if in existence, the total of the metropolitan special taxing districts as defined in paragraph (i)~~ and the sum of the ~~remaining~~ special taxing districts, and as a total of ~~the~~ all taxing authorities~~, including all special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year and the actual tax for taxes payable the current year.~~:

(i) the actual tax for taxes payable in the current year;

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) the proposed tax amount.

In the case of a town or the state general education tax, the final tax shall also be its proposed tax. If a school district has certified under section 124A.03, subdivision 2, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. ~~For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referendums, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda.~~ In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be ~~listed separately from the remaining amount of the city's levy~~ considered as special taxing district levies for the purposes of this subdivision. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease ~~in the amounts in clause (2) from~~ between the total taxes payable in the current year ~~to~~ and the total proposed ~~or, for a town, final taxes payable the following year~~ taxes, expressed ~~as a dollar amount and~~ as a percentage.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and used as the owner's homestead, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, 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 included with the appropriate county's levy and shall be discussed at that county's public hearing.

~~(j) For taxes levied in 1996, payable in 1997 only, in the case of a statutory or home rule charter city or town that exercises the local levy option provided in section 473.388, subdivision 7, the notice of its proposed taxes may include a statement of the amount by which its proposed tax increase for taxes payable in 1997 is attributable to its exercise of that option, together with a statement that the levy of the metropolitan council was decreased by a similar amount because of the exercise of that option.~~

Sec. 3. Minnesota Statutes 1996, section 275.065, is amended by adding a subdivision to read:

Subd. 3a. [CONSTANT SPENDING LEVY AMOUNT.] (a) For purposes of this section, "constant spending levy amount" for a county, city, town, or special taxing district means the property tax levy that the taxing authority would need to levy so that the sum of its levy, including its fiscal disparities distribution levy under section 276A.06, subdivision 3, clause (a), or 473F.08, subdivision 3, clause (a), plus its property tax aid amounts would remain constant from the current year to the proposed year, taking into account the fiscal disparities distribution levy amounts and the property tax aid amounts that have been certified for the proposed year. For the purposes of this paragraph, property tax aids include homestead and agricultural credit aid under section 273.1398, subdivision 2, local government aid under section 477A.013, local performance aid under section 477A.05, county criminal justice aid under section 477A.0121, and family preservation aid under section 477A.0122.

(b) For school districts, for the state education tax, "constant spending levy amount" means the general education levy that would be computed for the district using the current year's state general education levy amount and the proposed year's adjusted net tax capacity. In order to make this calculation, the commissioner of children, families, and learning shall recalculate the statewide general education tax rate using the current year's levy data, except the tax base shall be the proposed year's adjusted net tax capacity. For the remaining school district levies, the commissioner shall compute the constant spending levy amount by separately calculating each program levy using the current year's revenue per pupil unit and the proposed year's tax base, pupil units, and aid amounts, and adding the resulting amounts. In no case shall the constant spending levy amount be less than $0. The commissioner shall also determine the apportionment of the fiscal disparities distribution levy between the general education levy and the remaining school district levies. On or before September 30 annually, the commissioner must report to the county auditor each school district's constant spending state general education levy and its constant spending levy amount for the remaining school district levies.

Sec. 4. Minnesota Statutes 1996, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. [PUBLIC ADVERTISEMENT.] (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official

newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

(b) The advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF

PROPOSED PROPERTY TAXES

(~~City/County/~~School District/Metropolitan
Special Taxing District/Regional
Library District) of .....

The governing body of ..... will soon hold budget hearings and vote on the property taxes for (~~city/county/~~metropolitan special taxing district/regional library district services that will be provided in ~~199~~ (year)/school district services that will be provided in ~~199~~ (year) and ~~199~~ (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (~~city/county/~~school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) The advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED

TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
$.....	$.....	...%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)

$.....	$.....	...%

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)

(Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)

(Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed in section 273.1398, subdivision 1, paragraph (i).

~~(c)~~ (e) A city with a population of over 500 but not more than 2,500 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

~~(d)~~ (f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.

~~(e)~~ (g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall prescribe the form and format of the advertisement.

~~(f) For calendar year 1993, each taxing authority required to publish an advertisement must include on the advertisement a statement that information on the increases or decreases of the total budget, including employee and independent contractor compensation in the prior year, current year, and proposed budget year will be discussed at the hearing.~~

~~(g) Notwithstanding paragraph (f), for 1993, the commissioner of revenue shall prescribe the form, format, and content of an advertisement comparing current and proposed expense budgets for the metropolitan council, the metropolitan airports commission, and the metropolitan mosquito control commission. The expense budget must include occupancy, personnel, contractual and capital improvement expenses. The form, format, and content of the advertisement must be approved by the chairs of the house and senate tax committees prior to publication.~~

Sec. 5. Minnesota Statutes 1996, section 275.065, subdivision 6, is amended to read:

Subd. 6. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] (a) For purposes of this section, the following terms shall have the meanings given:

(1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.

(2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.

(3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.

(b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold ~~a~~ an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold ~~a~~ an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies.

(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.

(d) At the initial hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions.

(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20. A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.

(f) The governing body of a county shall hold its initial hearing on the second Tuesday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.

(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the first Monday of December. A continuation hearing, if necessary, shall be held on the second Monday of December.

(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under paragraphs (i) and (j).

(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not certify these dates by August 10, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.

(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. If a city does not certify these dates by September 15, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation

hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.

(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.

(l) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing~~, or subsequent to the date of its continuation hearing~~. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

(m) The property tax levy certified under section 275.07 by a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124.82, subdivision 3, 124A.03, subdivision 2, or 124B.03, subdivision 2, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of children, families, and learning or the commissioner of revenue after the proposed levy was certified; and

(7) the amount required under section 124.755.

~~At the hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed.~~

~~During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the subsequent hearing held as provided in this subdivision, the governing body,~~

~~other than the governing body of a school district, shall adopt its final property tax levy prior to adopting its final budget.~~

~~If the hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continued hearing must be held at least five business days but no more than 14 business days after the original hearing.~~

~~The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. The governing body of a county shall hold a hearing on the second Tuesday in December each year, and may hold additional hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continued hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20. The county auditor shall provide for the coordination of hearing dates for all cities and school districts within the county.~~

~~The metropolitan special taxing districts shall hold a joint public hearing on the first Monday of December. A continuation hearing, if necessary, shall be held on the second Monday of December.~~

~~By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its hearings and any continuations. If a school board or regional library district does not certify the dates by August 10, the auditor will assign the hearing date. The dates elected or assigned must not conflict with the hearing dates of the county or the metropolitan special taxing districts. By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its hearings and any continuations. For its initial hearing and for the subsequent hearing at which the final property tax levy will be adopted, the city must not select dates that conflict with the county hearing dates, metropolitan special taxing district dates, or with those elected by or assigned to the school districts or regional library district in which the city is located. For continuation hearings, the city may select dates that conflict with other taxing authorities' dates if the city deems it necessary.~~

~~The county hearing dates and the city, metropolitan special taxing district, regional library district, and school district hearing dates must be designated on the notices required under subdivision 3. The continuation dates need not be stated on the notices.~~

(n) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

(o) Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

Sec. 6. Minnesota Statutes 1996, section 275.065, is amended by adding a subdivision to read:

Subd. 6b. [JOINT PUBLIC HEARINGS.] Notwithstanding any other provision of law, any city with a population of 10,000 and over, may conduct a more comprehensive public hearing than is contained in subdivision 6 by including a board member from the county, a board member from the school district located within the city's boundary, and a representative of the metropolitan council, if the city is in the metropolitan area, as defined in section 473.121, subdivision 2, at the city's public hearing. All provisions regarding the public hearings under subdivision 6 are applicable to the joint public hearings under this subdivision.

Upon the adoption of a resolution by the governing body of the city to hold a joint hearing, the city shall notify the county, the school district, and the metropolitan council if the city is in the metropolitan area, of the decision to hold a joint public hearing and request a board member from each of those taxing authorities, and the member or the designee of the metropolitan council if

applicable, to be at the joint hearing. If the city is located in more than one county, the city may choose to request a county board member from each county or only from the county containing the majority of the city's market value. If more than one school district is partially or totally located within the city, the city may choose to request a school district board member from each school district, or a board member only from the school district containing the majority of the city's market value. If, as a result of requests under this subdivision, there are not sufficient board members in the county or the school district to attend the joint hearing, the county or school district may send a nonelected person working for its taxing authority to speak on the authority's behalf. The city may also invite each state senator and representative who represents the city, or a portion of the city, to come to the joint hearing.

The primary purpose of the joint hearing is to discuss the city's budget and property tax levy. The county and school district officials, and metropolitan council representative, if the city is in the metropolitan area, should be prepared to answer questions relevant to its budget and levy and the effect that its levy has on the property owners in the city.

If a city conducts a hearing under this subdivision, this hearing is in lieu of the initial hearing required under subdivision 6. However, the city is still required to adopt its proposed property tax levy at a subsequent hearing as provided under subdivision 6. The hearings under this subdivision do not relieve a county, school district, or the metropolitan council of the requirement to hold its individual hearing under subdivision 6.

Sec. 7. Minnesota Statutes 1996, section 275.065, subdivision 8, is amended to read:

Subd. 8. [HEARING.] Notwithstanding any other provision of law, Ramsey county, the city of St. Paul, and independent school district No. 625 are authorized to and shall hold their initial public hearing jointly. The hearing must be held on the second Tuesday of December each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

Ramsey county is authorized to hold an additional initial hearing or hearings as provided under this section, provided that any additional hearings must not conflict with the initial or continuation hearing dates of the other taxing districts. However, if Ramsey county elects not to hold such additional initial hearing or hearings, the joint initial hearing required by this subdivision must be held in a St. Paul location convenient to residents of Ramsey county.

Sec. 8. Minnesota Statutes 1996, section 275.16, is amended to read:

275.16 [COUNTY AUDITOR TO FIX AMOUNT OF LEVY.]

If any such municipality shall return to the county auditor a levy greater than permitted by chapters 124, 124A, 124B, 136C, ~~and~~ 136D, ~~and~~ sections 275.124 to 275.16, and sections 275.70 to 275.74, such county auditor shall extend only such amount of taxes as the limitations herein prescribed will permit; provided, if such levy shall include any levy for the payment of bonded indebtedness or judgments, such levies for bonded indebtedness or judgments shall be extended in full, and the remainder of the levies shall be reduced so that the total thereof, including levies for bonds and judgments, shall not exceed such amount as the limitations herein prescribed will permit.

Sec. 9. [275.70] [LEVY LIMITATIONS; DEFINITIONS.]

Subdivision 1. [APPLICATION.] For the purposes of sections 275.70 to 275.74, the following terms shall have these meanings, unless provided otherwise.

Subd. 2. [IMPLICIT PRICE DEFLATOR.] "Implicit price deflator" means the implicit price deflator for government purchases of goods and services for state and local governments prepared by the bureau of economic analysis of the United States Department of Commerce for the 12-month period ending in June of the levy year.

Subd. 3. [LOCAL GOVERNMENTAL UNIT.] "Local governmental unit" means a county or a statutory or home rule charter city.

Subd. 4. [POPULATION; NUMBER OF HOUSEHOLDS.] "Population" or "number of households" means the population or number of households for the local governmental unit as established by the last federal census, by a census taken under section 275.14, or by an estimate made by the metropolitan council or by the state demographer under section 4A.02, whichever is most recent as to the stated date of the count or estimate up to and including July 1 of the current levy year.

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds; and

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61.

Sec. 10. [275.71] [LEVY LIMITS.]

Subdivision 1. [LIMIT ON LEVIES.] Notwithstanding any other provision of law or municipal charter to the contrary which authorizes ad valorem taxes in excess of the limits established by sections 275.70 to 275.74, the provision of this section shall apply to taxes levied in 1997 and 1998 only by local governmental units for all purposes other than those for which special levies and special assessments are made.

Subd. 2. [LEVY LIMIT BASE.] (a) The levy limit base for a local governmental unit for taxes levied in 1997 shall be equal to the sum of:

(1) the amount the local governmental unit levied in 1996, less any amount levied for debt, as reported to the department of revenue under section 275.62, subdivision 1, clause (1), and less any tax levied in 1996 against market value as provided for in section 275.61;

(2) the amount of aids the local governmental unit was certified to receive in calendar year 1997 under sections 477A.011 to 477A.03 before any reductions for state tax increment financing aid under section 273.1399, subdivision 5;

(3) the amount of homestead and agricultural credit aid the local governmental unit was certified to receive under section 273.1398 in calendar year 1997 before any reductions for tax increment financing aid under section 273.1399, subdivision 5;

(4) the amount of local performance aid the local governmental unit was certified to receive in calendar year 1997 under section 477A.05; and

(5) the amount of any payments certified to the local government unit in 1997 under sections 298.28 and 298.282.

If a governmental unit was not required to report under section 275.62 for taxes levied in 1997, the commissioner shall request information on levies used for debt from the local governmental unit and adjust its levy limit base accordingly.

(b) The levy limit base for a local governmental unit for taxes levied in 1998 is limited to its adjusted levy limit base in the previous year, subject to any adjustments under section 275.72.

Subd. 3. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1997 and 1998, the adjusted levy limit is equal to the levy limit base computed under subdivision 2, increased by:

(1) a percentage equal to the percentage growth in the implicit price deflator; and

(2) a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available.

Subd. 4. [PROPERTY TAX LEVY LIMIT.] For taxes levied in 1997 and 1998, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3, reduced by the sum of (a) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (b) homestead and agricultural aids it is certified to receive under section 273.1398, (c) local performance aid it is certified to receive under section 477A.05, and (d) 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.

Subd. 5. [LEVIES IN EXCESS OF LEVY LIMITS.] If the levy made by a city exceeds the levy limit provided in sections 275.70 to 275.74, except when the excess levy is due to the rounding of the rate in accordance with section 275.28, the county auditor shall only extend the amount of taxes permitted under sections 275.70 to 275.73, as provided for in section 275.16.

Sec. 11. [275.72] [LEVY LIMIT ADJUSTMENTS FOR CONSOLIDATION AND ANNEXATION.]

Subdivision 1. [ADJUSTMENTS FOR CONSOLIDATION.] If all of the area included in two or more local governmental units is consolidated, merged, or otherwise combined to constitute a single governmental unit, the levy limit base for the resulting governmental unit in the first levy year in which the consolidation is effective shall be equal to (a) the highest tax rate in any of the merging governmental units in the previous year multiplied by the net tax capacity of all the merging governmental units in the previous year, minus (b) the sum of all levies in the merging governmental units in the previous year that qualify as special levies under section 275.70, subdivision 3.

Subd. 2. [ADJUSTMENTS FOR ANNEXATION.] If a local governmental unit increases its tax base through annexation of an area which is not the area of an entire local governmental unit, the levy limit base of the local governmental unit in the first year in which the annexation is effective shall be equal to its adjusted levy limit base from the previous year multiplied by the ratio of the net tax capacity in the local governmental unit after the annexation compared to its net tax capacity before the annexation.

Subd. 3. [TRANSFER OF GOVERNMENTAL FUNCTIONS.] If a function or service of one local governmental unit is transferred to another local governmental unit, the levy limits established under section 275.71 shall be adjusted by the commissioner of revenue in such manner so as to fairly and equitably reflect the reduced or increased property tax burden resulting from the transfer. The aggregate of the adjusted limitations shall not exceed the aggregate of the limitations prior to adjustment.

Subd. 4. [EFFECTIVE DATE FOR LEVY LIMITS PURPOSES.] Annexations, mergers, and shifts in services and functional responsibilities that are effective by June 30 of the levy year are included in the calculation of the levy limit for that levy year. Annexations, mergers, and shifts in

services and functional responsibilities that are effective after June 30 of a levy year are not included in the calculation of the levy limit until the subsequent levy year.

Sec. 12. [275.74] [STATE REGULATION OF LEVIES.]

The commissioner of revenue shall make all necessary calculations for determining levy limits for local governmental units and notify the affected governmental units of their levy limits directly by August 1 of each levy year. In addition, the commissioner of revenue shall notify all county auditors of the levy limits imposed on local governmental units located within their boundaries so that they may fix the levies as required in section 275.16. The local governmental units shall provide the commissioner of revenue with all information that the commissioner deems necessary to make the calculations provided for in sections 275.70 to 275.73.

Sec. 13. Minnesota Statutes 1996, 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 statement must contain a tabulated statement of the dollar amount due to each taxing authority and the state from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, state general education tax, the remaining school district amount, township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), ~~school district excess referenda levy, remaining school district levy, and the total of other voter approved referenda levies based on market value under section 275.61~~ must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. ~~For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referenda, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda.~~ 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. The statement shall include the following ~~sentence~~ sentences, printed in upper case letters in boldface print: "EVEN THOUGH THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES, IT DETERMINES THE AMOUNT OF THE GENERAL EDUCATION TAX LEVY. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

(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 taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, calculated by ~~multiplying the property's gross tax capacity times the total local tax rate and~~ adding the property's total property tax to ~~the result~~ the sum of the aids enumerated in clause (4);

(4) a total of the following aids:

(i) education aids payable under chapters 124 and 124A;

(ii) local government aids for cities, towns, and counties under chapter 477A; and

(iii) disparity reduction aid under section 273.1398;

~~(5) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total local tax rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;~~

~~(6)~~ (5) any credits received under sections 273.119; 273.123; 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

~~(7)~~ (6) 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.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in ~~clauses (3) and~~ clause (4) that local governments will receive in the following year. ~~In the case of a county containing a city of the first class, for taxes levied in 1991, and for all counties for taxes levied in 1992 and thereafter,~~ The commissioner must certify this amount by September 1 of each year.

Sec. 14. Minnesota Statutes 1996, section 383A.75, subdivision 3, is amended to read:

Subd. 3. [DUTIES.] The committee is authorized to and shall meet from time to time to make appropriate recommendations for the efficient and effective use of property tax dollars raised by the jurisdictions for programs, buildings, and operations. In addition, the committee shall:

(1) identify trends and factors likely to be driving budget outcomes over the next five years with recommendations for how the jurisdictions should manage those trends and factors to increase efficiency and effectiveness;

(2) agree, by ~~September~~ October 1 of each year, on the appropriate level of overall property tax levy for the three jurisdictions and publicly report such to the governing bodies of each jurisdiction for ratification or modification by resolution;

(3) plan for the joint truth-in-taxation hearings under section 275.065, subdivision 8; and

(4) identify, by December 31 of each year, areas of the budget to be targeted in the coming year for joint review to improve services or achieve efficiencies.

In carrying out its duties, the committee shall consult with public employees of each jurisdiction and with other stakeholders of the city, county, and school district, as appropriate.

Sec. 15. Laws 1993, chapter 375, article 7, section 29, is amended to read:

Sec. 29. [EFFECTIVE DATE.]

Sections 1, 6 to 8, 13, 15 to 25, 27, and 28 are effective for taxes levied in 1993, payable in 1994 and thereafter.

Section 3, subdivision 5, and the provisions of sections 9 to 11 relating to regional library

districts are effective for property taxes levied in 1994, payable in 1995, and thereafter. The other provisions of sections 9 to 11 are effective for property taxes levied in 1993, payable in 1994 and thereafter.

Sections 12 and 14 are effective the day following final enactment and without local approval, as provided in Minnesota Statutes, section 645.023, subdivision 1, clause (a)~~, and shall expire after December 31, 1997~~.

Section 26 is effective beginning with aids payable in calendar year 1993.

Sec. 16. [EFFECTIVE DATE.]

Sections 1 to 3 are effective for notices prepared beginning in 1997 for taxes payable in 1998 and thereafter.

Section 4 is effective for newspaper advertisements prepared beginning in 1997 for taxes payable in 1998, and thereafter.

Sections 5 to 7 are effective for hearings held in 1997 and thereafter.

Sections 8 to 12 are effective for property taxes levied in 1997 and 1998, payable in 1998 and 1999 only.

Section 13 is effective for property tax statements prepared in 1998 and thereafter.

ARTICLE 6

STATE MANDATES

Section 1. [3.986] [DEFINITIONS.]

Subdivision 1. [SCOPE.] The terms used in sections 3.986 to 3.989 have the meanings given them in this section.

Subd. 2. [COSTS MANDATED BY THE STATE.] (a) "Costs mandated by the state" means increased costs that a political subdivision is required to incur as a result of:

(1) a law enacted after June 30, 1997, that mandates a new program or an increased level of service of an existing program;

(2) an executive order issued after June 30, 1997, that mandates a new program;

(3) an executive order issued after June 30, 1997, that implements or interprets a state law and, by its implementation or interpretation, increases program levels above the levels required before July 1, 1997;

(4) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that implements or interprets federal law and, by its implementation or interpretation, increases program or service levels above the levels required by the federal law;

(5) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that implements or interprets a statute or amendment adopted or enacted pursuant to the approval of a statewide ballot measure by the voters and, by its implementation or interpretation, increases program or service levels above the levels required by the ballot measure;

(6) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that removes an option previously available to political subdivisions and thus increases program or service levels or prohibits a specific activity and so forces political subdivisions to use a more costly alternative to provide a mandated program or service;

(7) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that requires that an existing program or service be provided in a shorter time period and thus increases the cost of the program or service;

(8) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that adds new requirements to an existing optional program or service and thus increases the cost of the program or service because the political subdivisions have no reasonable alternative other than to continue the optional program;

(9) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that creates new revenue losses by new property or sales and use tax exemptions;

(10) a law enacted after June 30, 1997, or executive order issued after June 30, 1997, that requires costs previously incurred at local option that have subsequently been mandated by the state; or

(11) a law enacted or an executive order issued after June 30, 1997, that requires payment of a new fee or increases the amount of an existing fee.

(b) When state law or executive actions are intended to achieve compliance with federal law or court orders, state mandates shall be determined as follows:

(1) if the federal law or court order is discretionary, the state law or executive action is a state mandate;

(2) if the state law or executive action exceeds what is required by the federal law or court order, only the provisions of the state action that exceed the federal requirements are a state mandate; and

(3) if the state statutory or executive action does not exceed what is required by the federal statute or regulation or court order, the state action is not a state mandate.

(c) Costs mandated by the state include the costs of:

(1) a rule issued after June 30, 1997, that mandates a new responsibility; and

(2) a rule issued after June 30, 1997, that implements or interprets a state statute, and by doing so increases program levels above the levels required before June 30, 1997.

Subd. 3. [EXECUTIVE ORDER.] "Executive order" means an order, plan, requirement, or rule issued by the governor, an official serving at the pleasure of the governor, or an agency, department, board, or commission of state government. Executive order does not include an order, plan, requirement, or rule issued by a regional water quality control board.

Subd. 4. [MANDATE.] A "mandate" is a requirement imposed upon a political subdivision in a law by a state agency or by judicial authority that, if not complied with, results in (1) civil liability, (2) criminal penalty, or (3) administrative sanctions such as reduction or loss of funding.

Subd. 5. [POLITICAL SUBDIVISION.] A "political subdivision" is a county, home rule charter or statutory city, town, or other taxing district or municipal corporation.

Subd. 6. [REQUIRING AN INCREASED LEVEL OF SERVICE.] "Requiring an increased level of service" includes requiring that an existing service be provided in a shorter time.

Subd. 7. [RULE.] "Rule" means a rule, order, or standard of general application adopted by a state agency to implement, interpret, or make specific the law it enforces or administers or to govern its procedure. Rule includes an amendment to a rule. Rule does not include a rule that relates only to the internal management of a state agency.

Subd. 8. [SAVINGS.] "Savings" includes budget reductions and the freeing of staff or resources to be reassigned to a political subdivision's other areas of concern.

Sec. 2. [3.987] [FISCAL NOTES FOR STATE-MANDATED ACTIONS.]

Subdivision 1. [STATE AND LOCAL MANDATES OFFICE.] When the state proposes to mandate that a political subdivision take an action, and when reasonable compliance with that

action would force the political subdivision to incur costs mandated by the state, a fiscal note must be prepared as provided in section 3.98, subdivision 2, and made available to the public upon request. If the action is among the exceptions listed in section 3.988, a fiscal note need not be prepared.

An office of state and local mandates in the department of finance is created. The commissioner shall make a reasonable and timely determination of the estimated and actual financial effects on each political subdivision of each program mandated by law including each rulemaking proposed by an administrative agency. The commissioner of finance may require the commissioner of the appropriate administrative agency of the state to supply in a timely manner any information determined by the division to be necessary to determine local financial effects. The commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of the commissioner's ability.

The commissioner, when requested, shall update the determination of financial effects based on either actual cost figures or improved estimates or both.

Subd. 2. [MANDATE EXPLANATIONS.] Any bill introduced in the legislature after June 30, 1997, that seeks to impose program or financial mandates on political subdivisions must include an attachment that gives appropriate responses to the following guidelines. It must state and list:

(1) the policy goals that are sought to be attained, the performance standards that are to be imposed, and an explanation why the goals and standards will best be served by requiring compliance by political subdivisions;

(2) performance standards that will allow political subdivisions flexibility and innovation of method in achieving these goals;

(3) the reasons for each prescribed standard and the process by which each standard governs inputs such as staffing and other administrative aspects of the program;

(4) the sources of additional revenue, in addition to existing funding for similar programs, that are directly linked to imposition of the mandates that will provide adequate and stable funding for their requirements;

(5) what input has been obtained to ensure that the implementing agencies have the capacity to carry out the delegated responsibilities; and

(6) the reasons why less intrusive measures such as financial incentives or voluntary compliance would not yield the equity, efficiency, or desired level of statewide uniformity in the proposed program.

Subd. 3. [LOCAL INVOLVEMENT; LAWS.] Any bill introduced in the legislature after June 30, 1997, that seeks to impose a program or financial mandate on political subdivisions must include as an attachment a description of the efforts put forth, if any, to involve political subdivisions in the creation or development of the proposed mandate.

Subd. 4. [NO MANDATE RESTRICTION.] Except as specifically provided by this article, nothing in this article restricts or eliminates the authority of the state to create or impose programs by law upon political subdivisions.

Sec. 3. [3.988] [EXCEPTIONS TO FISCAL NOTES.]

Subdivision 1. [COSTS RESULTING FROM INFLATION.] A fiscal note need not be prepared for increases in the cost of providing an existing service if the increases result directly from inflation. "Resulting directly from inflation" means attributable to maintaining an existing level of service rather than increasing the level of service. A cost-of-living increase in welfare benefits is an example of a cost resulting directly from inflation.

Subd. 2. [COSTS NOT THE RESULT OF A NEW PROGRAM OR INCREASED SERVICE.] A fiscal note need not be prepared for increased local costs that do not result from a new program or an increased level of service.

Subd. 3. [MISCELLANEOUS EXCEPTIONS.] A fiscal note or an attachment as provided in section 3.987, subdivision 2, need not be prepared for the cost of a mandated action if the law, including a rulemaking, containing the mandate:

(1) accommodates a specific local request;

(2) results in no new local government duties;

(3) leads to revenue losses from exemptions to taxes;

(4) provided only clarifying or conforming, nonsubstantive charges on local government;

(5) imposes additional net local costs that are minor (less than $200 for any single local government if the mandate does not apply statewide or less than one-tenth of a mill times the entire value of taxable property in the state if the mandate is statewide) and do not cause a financial burden on local government;

(6) is a law or executive order enacted before July 1, 1997, or a rule initially implementing a law enacted before July 1, 1997;

(7) implements something other than a law or executive order, such as a federal, court, or voter-approved mandate;

(8) defines a new crime or redefines an existing crime or infraction;

(9) results in savings that equal or exceed costs;

(10) requires the holding of elections;

(11) ensures due process or equal protection;

(12) provides for the notification and conduct of public meetings;

(13) establishes the procedures for administrative and judicial review of actions taken by political subdivisions;

(14) protects the public from malfeasance, misfeasance, or nonfeasance by officials of political subdivisions;

(15) relates directly to financial administration, including the levy, assessment, and collection of taxes;

(16) relates directly to the preparation and submission of financial audits necessary to the administration of state laws; or

(17) requires uniform standards to apply to public and private institutions without differentiation.

Sec. 4. [3.989] [REIMBURSEMENT TO LOCAL POLITICAL SUBDIVISIONS FOR COSTS OF STATE MANDATES.]

Subdivision 1. [DEFINITIONS.] In this section:

(1) "Class A state mandates" means those laws under which the state mandates to political subdivisions their participation, the organizational structure of the program, and the procedural regulations under which the law must be administered; and

(2) "Class B state mandates" means those mandates that allow the political subdivisions to opt for administration of a law with program elements mandated beforehand and with an assured revenue level from the state of 90 percent of full program and administrative costs.

Subd. 2. [REPORT.] The commissioner of finance shall prepare by September 1, 1998, and by September 1 of each year thereafter, a report by political subdivisions of the costs of class A state mandates established after June 30, 1997.

The commissioner shall annually include the statewide total of the statement of costs of class A mandates as a notation in the state budget for the next fiscal year.

Subd. 3. [CERTAIN POLITICAL SUBDIVISIONS; REPORT.] The political subdivisions that have opted to administer class B state mandates shall report to the commissioner of finance by September 1, 1998, and by September 1 of each year thereafter, identifying each instance when revenue for a class B state mandate has fallen below 85 percent of the total cost of the program and the political subdivision intends to cease administration of the program.

The commissioner shall forward a copy of the report to the chairs of the senate finance committee and the house appropriations committee for proposed inclusion of the shortfall as a line item appropriation in the state budget for the next fiscal year.

The political subdivision may exercise its option to cease administration only if the legislature has failed to include the shortfall as an appropriation in the state budget for the next fiscal year.

Subd. 4. [EXEMPTIONS.] Laws and executive orders enumerated in section 3.988 are exempted from this section.

Sec. 5. [14.431] [PERIODIC REVIEW OF ADMINISTRATIVE RULES.]

Subdivision 1. [DEFINITIONS.] The terms defined in section 3.986, subdivision 1, apply to this section.

Subd. 2. [SIGNIFICANT FINANCIAL IMPACT.] The commissioner of finance shall review, every five years, rules adopted after June 30, 1997, that have significant financial impact upon political subdivisions. In this section, "significant financial impact" means requiring local political subdivisions to expand existing services, employ additional personnel, or increase local expenditures. The commissioner shall determine the costs and benefits of each rulemaking and submit a report to the legislative coordinating commission with its opinion, if any, for the continuation, modification, or elimination of the rules in the rulemaking.

Sec. 6. Minnesota Statutes 1996, section 273.1398, subdivision 8, is amended to read:

Subd. 8. [APPROPRIATION.] (a) An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, is annually appropriated from the general fund to the commissioner of children, families, and learning. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts is annually appropriated from the general fund to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

(b) The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of fiscal notes as required by section 3.987 only to the extent to which those costs exceed those costs incurred in fiscal year 1997 and for any other new costs attributable to the operation of the state and local mandates office required by section 3.987, not to exceed $50,000 in fiscal year 1998 and thereafter.

The commissioner of revenue shall deduct the amount billed under this paragraph from aid payments to be made to cities and counties under subdivision 2 on a pro rata basis.

Sec. 7. [REPEALER.]

Minnesota Statutes 1996, section 3.982, is repealed.

ARTICLE 7

BUSINESS ACTIVITY TAX

Section 1. Minnesota Statutes 1996, section 290.06, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION, CORPORATIONS.] The franchise tax imposed upon corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 7.5 percent.

Sec. 2. [290.9401] [BUSINESS ACTIVITY TAX IMPOSED.]

In addition to the taxes imposed by this chapter, a tax applies to a firm's tax base at a rate of .45 percent for taxable years beginning after December 31, 1997, and before January 1, 1999, and .55 percent for taxable years beginning after December 31, 1998.

Sec. 3. [290.9402] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of sections 290.9401 to 290.9407, the following terms have the meanings given.

Subd. 2. [BUSINESS ACTIVITY.] "Business activity" means sale or rental of property or the performance of services in this state to realize a gain, benefit, or advantage, whether direct or indirect. Business activity includes activity in intrastate, interstate, and foreign commerce. It does not include services provided by an employee to the employee's employer, service as the director of a corporation, or a casual transaction. Although an activity may be incidental to another of the firm's business activities, each activity is a business activity for purposes of the tax.

Subd. 3. [BUSINESS INCOME.] "Business income" means net income. For a firm other than a corporation, net income is limited to the portion derived from business activity.

Subd. 4. [CASUAL TRANSACTION.] "Casual transaction" means a transaction that (1) is not made in the ordinary course of repeated or successive transactions of a like character by the firm, and (2) is not incidental to the firm's regular business activity.

Subd. 5. [COMPENSATION.] (a) "Compensation" means all payments made to or for the benefit of employees, officers, or directors of the firm.

(b) Compensation specifically includes, but is not limited to:

(1) wages, salaries, bonuses, commissions, and other payments to employees, officers, or directors;

(2) payments to state and federal unemployment compensation funds;

(3) payments, including self-insurance, for workers' compensation;

(4) payments to individuals not currently working;

(5) payments to dependents and heirs of individuals because of current or past labor service provided by those individuals;

(6) payments to a pension, retirement, profit-sharing, or deferred compensation program; and

(7) payments for insurance, including self-insurance, for which employees are beneficiaries, including payments for health and welfare and noninsured benefit plans and payment of fees for administration of plans.

(c) Compensation does not include:

(1) discounts on the price of the firm's merchandise or services sold to employees, officers, or directors that are not available to other customers; or

(2) payments to independent contractors.

Subd. 6. [FIRM.] "Firm" means a corporation, individual, partnership, limited liability company, trust, nonprofit corporation, joint venture, association, receiver, estate, or other person engaged in business activity.

Subd. 7. [PROPERTY.] "Property" includes all property, whether tangible or intangible, or whether real, personal, or mixed.

Sec. 4. [290.9403] [BUSINESSES SUBJECT TO TAX.]

Subdivision 1. [TAXABLE BUSINESSES.] The tax imposed by sections 290.9401 to 290.9407 applies to a firm engaged in business activity in Minnesota, unless an exemption under subdivisions 2 to 4 applies.

Subd. 2. [FOREIGN INSURANCE COMPANIES.] An insurance company as defined in section 290.05, subdivision 1, clause (c), is exempt.

Subd. 3. [GOVERNMENT ENTITIES.] A governmental entity, as defined in section 290.05, subdivision 1, clause (b), is exempt.

Subd. 4. [OTHER EXEMPT ENTITIES.] An organization exempt from taxation under Subchapter F of the Internal Revenue Code is exempt, except to the extent of tax base from activities generating:

(1) unrelated business income, as defined in sections 511 to 515 of the Internal Revenue Code;

(2) taxable income of farmers' cooperatives under section 521 of the Internal Revenue Code;

(3) taxable income of political organizations under section 527 of the Internal Revenue Code; and

(4) taxable income of homeowners associations under section 528 of the Internal Revenue Code.

Sec. 5. [290.9404] [TAX BASE.]

Subdivision 1. [GENERAL RULE.] The tax base of a firm for the taxable year equals the sum of the firm's business income and the amounts in subdivision 2, less:

(1) the amounts in subdivision 3;

(2) the capital acquisition deduction under subdivision 4; and

(3) the exemption amount under subdivision 5.

All amounts are the amounts paid or accrued for the taxable year under the firm's method of accounting for federal income tax purposes.

Subd. 2. [ADDITIONS.] The following amounts are added to business income to determine tax base:

(1) the amount of the additions to federal taxable income under section 290.01, subdivision 19c, clauses (1) to (5), (8), (10), and (11); and

(2) the amount of the following, to the extent deducted or excluded in computing federal taxable income and not added under clause (1):

(i) depreciation, amortization, or immediate or accelerated write-off of the cost of tangible assets;

(ii) royalties;

(iii) dividends, except dividends representing reduction of premiums to policyholders of insurance companies; and

(iv) interest including amounts paid, credited, or reserved by insurance companies as amounts necessary to fulfill the policy and other contract liability requirements of sections 805 and 809 of the Internal Revenue Code;

(3) the amount of compensation; and

(4) capital gains of individuals from business activity to the extent excluded in computing federal taxable income.

Subd. 3. [SUBTRACTIONS.] To the extent included in federal taxable income, the following amounts are subtracted from income to determine tax base:

(1) dividends received or deemed received, including the foreign dividend gross-up;

(2) interest except amounts paid, credited, or reserved by insurance companies as amounts necessary to fulfill the policy and other contract liability requirements of sections 805 and 809 of the Internal Revenue Code;

(3) royalties; and

(4) any capital loss not deducted in computing federal taxable income.

Subd. 4. [CAPITAL ACQUISITION DEDUCTION.] (a) The capital acquisition deduction equals the amount paid or accrued for the taxable year of the cost of tangible assets qualifying for depreciation, amortization, or immediate or accelerated deduction under the Internal Revenue Code. Costs include fabrication and installation costs. The deduction is the full amount paid or accrued, regardless of the amount allowed by federal law for the taxable year.

(b) If the capital acquisition deduction exceeds the net amount under subdivisions 1 to 3 for the taxable year, the rest is a carryover capital acquisition deduction to the next three taxable years. The entire amount must be taken in the earliest of the taxable years to which it may be carried.

Subd. 5. [EXEMPTION.] The exemption amount is $500,000. The exemption must be deducted after computation of tax base under subdivisions 1 to 4, but before apportionment under section 290.9405 for multistate businesses.

Subd. 6. [SPECIAL RULES FOR FINANCIAL INSTITUTIONS.] The tax base of a financial institution is the amount calculated under subdivisions 1 to 4, except that the addition under subdivision 2, clause (2), item (iv), and the subtraction under subdivision 3, clause (2), do not apply.

Sec. 6. [290.9405] [MULTISTATE FIRMS.]

Subdivision 1. [SCOPE.] The tax base of a firm from business activity carried on partly within and partly without Minnesota must be apportioned to Minnesota as provided in this section.

Subd. 2. [DEFINITIONS.] The definitions under section 290.191 apply for purposes of this section.

Subd. 3. [APPORTIONMENT FORMULA.] (a) A firm must apportion its tax base to Minnesota as follows. The total tax base, after deducting the capital acquisition deduction and exemption, must be multiplied by the percentage that the firm's sales made within Minnesota during the taxable year are of the firm's total sales wherever made.

(b) A financial institution must apportion its tax base under paragraph (a) using the receipts factor for financial institutions.

Subd. 4. [RULES FOR UNITARY BUSINESSES.] (a) If a business activity conducted wholly within this state or partly within this state is part of a unitary business, the entire tax base of the unitary business is subject to apportionment under this section. The provisions of section 290.17 apply to determine if a business activity is part of a unitary business.

(b) Each firm that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between domestic firms that are part of the unitary business must be eliminated. The entire tax base of the unitary business must be apportioned among the firms by using each firm's Minnesota sales factor in the numerator of the apportionment formula and the total sales factor of all firms in the unitary business in the denominator of the apportionment formula.

(c) The tax base and apportionment factors of foreign firms which are part of a unitary business are not included in the tax base and apportionment factors of the unitary business. A foreign firm must file on a separate return basis.

Sec. 7. [290.9406] [CREDITS.]

Subdivision 1. [INSURANCE PREMIUMS TAX.] The amount of premiums tax paid by the firm under sections 60A.15 and 299F.21 to 299F.26 during the taxable year is a credit against the tax under section 290.9401.

Subd. 2. [MINNESOTACARE TAX.] The amount of gross revenue tax paid by the firm under sections 295.50 to 295.58 during the taxable year is a credit against the tax under section 290.9401.

Sec. 8. [290.9407] [ADMINISTRATION.]

The commissioner of revenue shall prescribe forms and instructions for payment of the tax. The tax is due and payable at the same times and under the same rules provided for the franchise tax on corporations.

Sec. 9. [REPEALER.]

Minnesota Statutes 1996, sections 290.0921; and 290.0922, are repealed.

Sec. 10. [EFFECTIVE DATE.]

This article is effective for taxable years beginning after December 31, 1997.

ARTICLE 8

PROPERTY TAX MISCELLANEOUS

Section 1. Minnesota Statutes 1996, section 93.41, is amended to read:

93.41 [STATE-OWNED IRON-BEARING MATERIALS.]

Subdivision 1. [USE FOR ROAD CONSTRUCTION AND OTHER PURPOSES.] In case the commissioner of natural resources shall determine that any paint rock, taconite, or other iron-bearing material belonging to the state ~~and containing not more than 45 percent dried iron by analysis~~ is needed and suitable for use in the construction or maintenance of any road, tailings basin, settling basin, dike, dam, bank fill, or other works on public or private property, and that such use would be in the best interests of the public, the commissioner may authorize the disposal of such material therefor as hereinafter provided.

Subd. 2. [MATERIALS SUBJECT TO STATE IRON ORE MINING LEASE.] If such material is subject to an existing state iron ore mining lease or located on property subject to an existing state iron ore mining lease, the commissioner, by written agreement with the holder of the lease, may authorize the use of the material for any purpose specified in subdivision 1 that will facilitate the mining and disposal of the iron ore therein on such terms as the commissioner may prescribe consistent with the interests of the state, or may authorize the holder of the lease to dispose of the material otherwise for any purpose specified in subdivision 1 upon payment of an amount therefor equivalent to the royalty that would be payable under the terms of the lease if the material were shipped or otherwise disposed of as iron ore, but not less than the applicable minimum rate prescribed by section 93.20.

Subd. 3. [ISSUANCE OF LEASES, ROYALTIES.] If such material, whether in the ground or in stockpile, is not subject to an existing lease, the commissioner may issue leases for the taking and removal thereof for the purposes specified in subdivision 1 in like manner as provided by section 92.50 for leases for the taking and removal of sand, gravel, and other materials specified in said section, and subject to all the provisions thereof, so far as applicable~~; provided, that the amount payable for such material shall be at least equivalent to the minimum royalty that would be payable therefor under the provisions of section 93.20~~.

Subd. 4. [SALE OF STOCKPILED IRON-BEARING MATERIAL IN PLACE.] If such material is in stockpile and is not subject to an existing lease, the commissioner may sell stockpiled iron-bearing material in place. The sale must be to a person holding an interest in the surface of the property upon which the stockpile is located or to a person holding an interest in publicly or privately owned stockpiled iron-bearing material located in the same stockpile.

Sec. 2. Minnesota Statutes 1996, section 103D.905, subdivision 4, is amended to read:

Subd. 4. [BOND FUND.] A bond fund consists of the proceeds of special assessments, storm water charges, loan repayments, and ad valorem tax levies pledged by the watershed district for the payment of bonds or notes issued by the watershed district ~~secured by the property of the watershed district that is producing or is likely to produce a regular income~~. The bond fund is to be used for the payment of the ~~purchase price of the property or the value of the property as determined by the court in proper proceedings and for the improvement and development of the property~~ principal of, premium or administrative surcharge, if any, and interest on the bonds and notes issued by the watershed district and for payments required to be made to the federal government under section 148(f) of the Internal Revenue Code of 1986, as amended through December 31, 1996.

Sec. 3. Minnesota Statutes 1996, section 103D.905, subdivision 5, is amended to read:

Subd. 5. [CONSTRUCTION OR IMPLEMENTATION FUND.] (a) A construction or implementation fund consists of:

(1) the proceeds of watershed district bonds or notes or of the sale of county bonds;

(2) construction or implementation loans from the pollution control agency under sections 103F.701 to 103F.761, or from any agency of the federal government; and

(3) special assessments, storm water charges, loan repayments, and ad valorem tax levies levied or to be levied to supply funds for the construction or implementation of the projects of the watershed district, including reservoirs, ditches, dikes, canals, channels, storm water facilities, sewage treatment facilities, wells, and other works, and the expenses incident to and connected with the construction or implementation.

(b) Construction or implementation loans from the pollution control agency under sections 103F.701 to 103F.761, or from an agency of the federal government may be repaid from ~~money collected by~~ the proceeds of watershed district bonds or notes or from the collections of storm water charges, loan repayments, ad valorem tax levies, or special assessments on properties benefited by the project.

Sec. 4. Minnesota Statutes 1996, section 103D.905, is amended by adding a subdivision to read:

Subd. 9. [PROJECT TAX LEVY.] In addition to other tax levies provided in this section or in any other law, a watershed district may levy a tax:

(1) to pay the costs of projects undertaken by the watershed district which are to be funded, in whole or in part, with the proceeds of grants or construction or implementation loans under sections 103F.701 to 103F.761;

(2) to pay the principal of, or premium or administrative surcharge, if any, and interest on, the bonds and notes issued by the watershed district pursuant to section 103F.725; or

(3) to repay the construction or implementation loans under sections 103F.701 to 103F.761.

Taxes levied with respect to payment of bonds and notes shall comply with section 475.61.

Sec. 5. Minnesota Statutes 1996, section 216B.16, is amended by adding a subdivision to read:

Subd. 6d. [WIND ENERGY; PROPERTY TAX.] The commission shall require a public utility that is purchasing electricity from a wind generation facility installed after June 1, 1991, and

before December 31, 2002, to either: (1) pay all property taxes on the facility directly to the county treasurer of the county in which the facility is located; or (2) pay to the owner of the facility the amount of property taxes due on the facility at least 15 days prior to the due dates under sections 277.01 and 279.01. The commission shall permit a public utility that is purchasing electricity from a wind generation facility installed after June 1, 1991, and before December 31, 2002, to recover in the public utility's rates all property tax payments made directly to the county or to the owner of the facility as provided in this subdivision.

Sec. 6. Minnesota Statutes 1996, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

(1) All public burying grounds.

(2) All public schoolhouses.

(3) All public hospitals.

(4) All academies, colleges, and universities, and all seminaries of learning.

(5) All churches, church property, and houses of worship.

(6) Institutions of purely public charity except:

(i) parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clauses (1), (2), and (3), or paragraph (d), other than those that qualify for exemption under clause (25); and

(ii) property described in section 273.13, subdivision 25a.

(7) All public property exclusively used for any public purpose.

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500

to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means: (i) land described in section 103G.005, subdivision 15a; (ii) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by clause (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident’s progress in completing the program’s goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or

provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21)(a) Small scale wind energy conversion systems~~, as defined in section 216C.06, subdivision 12,~~ installed after January 1, 1991, and ~~before January 2, 1995, and~~ used as an electric power source~~,~~ are exempt. ~~(b)~~ "Small scale wind energy conversion systems" are wind energy conversion systems, as defined in section 216C.06, subdivision 12, ~~installed after January 1, 1995,~~ including the foundation or support pad, which are (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings~~, are exempt~~.

~~(c)~~ (b) Medium scale wind energy conversion systems~~, as defined in section 216C.06, subdivision 12,~~ installed after January 1, ~~1995~~ 1991, ~~and used as an electric power source but not exempt under item (b),~~ are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. "Medium scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.

(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. "Large scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in Section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the

dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and primarily used to provide recreational opportunities for disabled veterans and their families.

(27) Manure pits and appurtenances, which may include slatted floors and pipes, installed or operated in accordance with a permit, order, or certificate of compliance issued by the Minnesota pollution control agency. The exemption shall continue for as long as the permit, order, or certificate issued by the Minnesota pollution control agency remains in effect.

(28) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the public utilities commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

(30) Notwithstanding clause (8), item (a), attached machinery and other personal property that is part of a system that generates biomass electric energy that satisfies the mandate established in section 216B.2424 or energy produced from wood waste, as well as transmission lines exclusively used to transmit such energy.

Sec. 7. Minnesota Statutes 1996, section 273.11, subdivision 16, is amended to read:

Subd. 16. [VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.] Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment purposes provided that (1) the house is at least 35 years old at the time of the improvement and (2) either

(a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than $150,000, or

(b) if the estimated market value of the house is over $150,000 market value but is less than $300,000 on January 2 of the current year, the property qualifies if

(i) it is located in a city or town in which 50 percent or more of the owner-occupied housing units were constructed before 1960 based upon the 1990 federal census, and

(ii) the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census, or

(c) if the estimated market value of the house is $300,000 or more on January 2 of the current year, the property qualifies if

(i) it is located in a city or town in which 45 percent or more of the homes were constructed before 1940 based upon the 1990 federal census, and

(ii) it is located in a city or town in which 45 percent or more of the housing units were rental based upon the 1990 federal census, and

(iii) the city or town's median value of owner-occupied housing units based upon the 1990 federal census is less than the statewide median value of owner-occupied housing units based upon the 1990 federal census.

For purposes of determining this eligibility, "house" means land and buildings.

The age of a residence is the ~~number of years that the residence has existed at its present site~~ original year of its construction. In the case of a residence that is relocated, the only improvements eligible for exclusion under this subdivision are (1) those for which building permits were issued to the homeowner after the residence was relocated to its present site, and (2) those undertaken during or after the year the residence is initially occupied by the homeowner, excluding any market value increase relating to basic improvements that are necessary to make the residence functional at its present site. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. Any improvement must add at least $1,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application must be filed within three years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction which is not subject to a building permit process, the application must be filed within three years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

No exclusion may be granted for an improvement by a local board of review or county board of equalization and no abatement of the taxes for qualifying improvements may be granted by the county board unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made, at which time an amount equal to 20 percent of the qualifying value shall be added back in each of the five subsequent assessment years. If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the

property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed $50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed $25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The $25,000 and $50,000 maximum qualifying value under this subdivision may result from up to three separate improvements to the homestead. The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.

If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Sec. 8. Minnesota Statutes 1996, section 273.112, subdivision 1, is amended to read:

Subdivision 1. This section may be cited as the "Minnesota ~~open~~ recreational and social space property tax law."

Sec. 9. Minnesota Statutes 1996, section 273.112, subdivision 2, is amended to read:

Subd. 2. The present general system of ad valorem property taxation in the state of Minnesota does not provide an equitable basis for the taxation of certain private ~~outdoor~~ recreational, social, open space and park land property and has resulted in excessive taxes on some of these lands. Therefore, it is hereby declared that the public policy of this state would be best served by equalizing tax burdens upon private ~~outdoor~~, recreational, social, open space and park land within this state through appropriate taxing measures to encourage private development of these lands which would otherwise not occur or have to be provided by governmental authority.

Sec. 10. Minnesota Statutes 1996, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing, lawn bowling, croquet, or archery or firearms range recreational use or ~~uses and~~ other recreational or social uses carried on at the establishment;

(b) five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range or an establishment actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses in which the establishment is owned and operated by a not-for-profit corporation;

(c)(1) operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and

(d) made available~~, in the case of real estate devoted to golf,~~ for use without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership. A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

Sec. 11. Minnesota Statutes 1996, section 273.112, subdivision 4, is amended to read:

Subd. 4. The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 6, be determined solely with reference to its appropriate private ~~outdoor~~, recreational, social, open space and park land classification and value notwithstanding sections 272.03, subdivision 8, and 273.11. In determining such value for ad valorem tax purposes the assessor shall not consider the value such real estate would have if it were converted to commercial, industrial, residential or seasonal residential use.

Sec. 12. Minnesota Statutes 1996, section 273.13, is amended by adding a subdivision to read:

Subd. 25a. [ELDERLY ASSISTED LIVING FACILITY PROPERTY.] "Elderly assisted living facility property" means residential real estate containing more than one unit held for use by the tenants or lessees as a residence for periods of 30 days or more, along with community rooms, lounges, activity rooms, and related facilities, designed to meet the housing, health, and financial security needs of the elderly. The real estate may be owned by an individual, partnership, limited partnership, for-profit corporation, or nonprofit corporation exempt from federal income taxation under United States Code, title 26, section 501(c)(3) or related sections.

An admission or initiation fee may be required of tenants. Monthly charges may include charges for the residential unit, meals, housekeeping, utilities, social programs, a health care alert system, or any combination of them. On-site health care may be provided by in-house staff or an outside health care provider.

The assessor shall classify elderly assisted living facility property as class 1 or class 4 property, depending upon the property's ownership, occupancy, and use, provided that any elderly assisted

living care facility that is tax exempt for the taxes payable year 1997, the provisions of this section will not change the tax status of those specified exempt elderly assisted living facilities. The applicable class rates apply based on its classification. If a skilled care nursing home facility is located on the same parcel as an elderly assisted living facility, the portion of the property devoted to the elderly assisted living facility shall be classified under this subdivision.

Sec. 13. [273.1651] [TAXATION AND FORFEITURE OF STOCKPILED METALLIC MINERALS MATERIAL.]

Subdivision 1. [DEFINITION.] "Stockpiled metallic minerals material" for purposes of this section, means surface overburden, rock, lean ore, tailings, or other material that has been removed from the ground and deposited elsewhere on the surface in the process of iron ore, taconite, or other metallic minerals mining, or in the process of beneficiation. Stockpiled metallic minerals material does not include processed metallic minerals concentrates in the form of pellets, chips, briquettes, fines, or other form, which have been prepared for or are in the process of shipment.

Subd. 2. [PURPOSE.] The purpose of this section is to clarify the ownership of stockpiled metallic minerals material in this state. Depending on the intent of the person who extracted the material from the ground, stockpiled metallic minerals material may or may not be owned separately and apart from the fee title to the surface of the real property. The legislature finds that the uncertainty of ownership of stockpiled metallic minerals material located on real property that becomes tax forfeited has created a burden on the public owner of the surface of the real property and an impediment to productive management or use of a public resource.

Subd. 3. [TAXATION AND FORFEITURE.] From and after the effective date of this section, for purposes of taxation, the definition of "real property," as contained in section 272.03, subdivision 1, includes stockpiled metallic minerals material. Nothing in this subdivision shall be construed to subject stockpiled metallic minerals material to the general property tax when the stockpiled metallic minerals material is exempt from the general property tax pursuant to section 298.015 or 298.25. If the surface of the real property forfeits for delinquent taxes, stockpiled metallic minerals material located on the real property forfeits with the surface of the property.

Subd. 4. [PRIOR FORFEITURE.] Stockpiled metallic minerals material located on real property that forfeited prior to the effective date of this section or forfeits due to a judgment for delinquent taxes issued prior to the effective date of this section shall be assessed and taxed as real property. The tax applies only to stockpiled metallic minerals material located on real property that remains in the ownership of the state or a political subdivision of the state. The tax shall be based on the market value of the rental of the property for storage of stockpiled metallic minerals material.

Subd. 5. [EXCEPTIONS; TAX LAWS.] (a) The tax imposed pursuant to this section shall not be imposed on the following:

(1) stockpiled metallic minerals material valued and taxed under other laws relating to the taxation of minerals, gas, coal, oil, or other similar interests;

(2) stockpiled metallic minerals material that is exempt from taxation pursuant to constitutional or related statutory provisions; or

(3) stockpiled metallic minerals material that is owned by the state.

(b) All laws for the enforcement of taxes on real property shall apply to the tax imposed pursuant to this section on stockpiled metallic minerals material.

Subd. 6. [FEE OWNER.] For purposes of section 276.041, the owner of stockpiled metallic minerals material is a fee owner.

Sec. 14. Minnesota Statutes 1996, section 281.13, is amended to read:

281.13 [NOTICE OF EXPIRATION OF REDEMPTION.]

Every person holding a tax certificate after expiration of three years, or the redemption period specified in section 281.17 if shorter, after the date of the tax sale under which the same was issued, may present such certificate to the county auditor; and thereupon the auditor shall prepare, under the auditor's hand and official seal, a notice, directed to the person or persons in whose name such lands are assessed, specifying the description thereof, the amount for which the same was sold, the amount required to redeem the same, exclusive of the costs to accrue upon such notice, and the time when the redemption period will expire. If, at the time when any tax certificate is so presented, such lands are assessed in the name of the holder of the certificate, such notice shall be directed also to the person or persons in whose name title in fee of such land appears of record in the office of the county recorder. The auditor shall deliver such notice to the party applying therefor, who shall deliver it to the sheriff of the proper county or any other person not less than 18 years of age for service. Within 20 days after receiving it, the sheriff or other person serving the notice shall serve such notice upon the persons to whom it is directed, if to be found in the ~~sheriff's~~ county, in the manner prescribed for serving a summons in a civil action; if not so found, then upon the person in possession of the land, and make return thereof to the auditor. In the case of land held in joint tenancy the notice shall be served upon each joint tenant. If one or more of the persons to whom the notice is directed cannot be found in the county, and there is no one in possession of the land, of each of which facts the return of the sheriff or other person serving the notice so specifying shall be prima facie evidence, service shall be made upon those persons that can be found and service shall also be made by two weeks' published notice, proof of which publication shall be filed with the auditor.

When the records in the office of the county recorder show that any lot or tract of land is encumbered by an unsatisfied mortgage or other lien, and show the post office address of the mortgagee or lienee, or if the same has been assigned, the post office address of the assignee, the person holding such tax certificate shall serve a copy of such notice upon such mortgagee, lienee, or assignee by certified mail addressed to such mortgagee, lienee, or assignee at the post office address of the mortgagee, lienee, or assignee as disclosed by the records in the office of the county recorder, at least 60 days prior to the time when the redemption period will expire.

The notice herein provided for shall be sufficient if substantially in the following form:

"NOTICE OF EXPIRATION OF REDEMPTION

Office of the County Auditor

County of ....., State of Minnesota.

To .....

You are hereby notified that the following described piece or parcel of land, situated in the county of ....., and State of Minnesota, and known and described as follows: ...., is now assessed in your name; that on the ..... day of May, ..., at the sale of land pursuant to the real estate tax judgment, duly given and made in and by the district court in and for said county of ....., on the ..... day of March, ..., in proceedings to enforce the payment of taxes delinquent upon real estate for the year ..... for said county of ...., the above described piece or parcel of land was sold for the sum of $....., and the amount required to redeem such piece or parcel of land from such sale, exclusive of the cost to accrue upon this notice, is the sum of $....., and interest at the rate of ..... percent per annum from said ..... day of ....., ..., to the day such redemption is made, and that the tax certificate has been presented to me by the holder thereof, and the time for redemption of such piece or parcel of land from such sale will expire 60 days after the service of this notice and proof thereof has been filed in my office.

Witness my hand and official seal this ..... day of ....., ...

.....

(OFFICIAL SEAL)

County Auditor of

..... County, Minnesota."

Sec. 15. Minnesota Statutes 1996, section 281.23, is amended by adding a subdivision to read:

Subd. 5a. [DEFINITION.] In this subdivision, "occupied parcel" means a parcel containing a structure subject to property taxation.

Sec. 16. Minnesota Statutes 1996, section 281.23, subdivision 6, is amended to read:

Subd. 6. [SERVICE ~~BY SHERIFF~~ OF NOTICE.] (a) Forthwith after the commencement of such publication or mailing the county auditor shall deliver to the sheriff of the county or any other person not less than 18 years of age a sufficient number of copies of such notice of expiration of redemption for service upon the persons in possession of all parcels of such land as are actually occupied and documentation if the certified mail notice was returned as undeliverable or the notice was not mailed to the address associated with the property. Within 30 days after receipt thereof, the sheriff or other person serving the notice shall make such investigation as may be necessary to ascertain whether or not the parcels covered by such notice are actually occupied ~~or not~~ parcels, and shall serve a copy of such notice of expiration of redemption upon the person in possession of each parcel found to be ~~so~~ an occupied parcel, in the manner prescribed for serving summons in a civil action. The sheriff or other person serving the notice shall make prompt return to the auditor as to all notices so served and as to all parcels found vacant and unoccupied. Such return shall be made upon a copy of such notice and shall be prima facie evidence of the facts therein stated.

~~Unless compensation for such services is otherwise provided by law,~~ If the notice is served by the sheriff, the sheriff shall receive from the county, in addition to other compensation prescribed by law, such fees and mileage for service on persons in possession as are prescribed by law for such service in other cases, and shall also receive such compensation for making investigation and return as to vacant and unoccupied lands as the county board may fix, subject to appeal to the district court as in case of other claims against the county. As to either service upon persons in possession or return as to vacant lands, the sheriff shall charge mileage only for one trip if the occupants of more than two tracts are served simultaneously, and in such case mileage shall be prorated and charged equitably against all such owners.

(b) The secretary of state shall receive sheriff's service for all out-of-state interests.

Sec. 17. Minnesota Statutes 1996, section 281.273, is amended to read:

281.273 [EXPIRATION OF TIME OF REDEMPTION ON LANDS OWNED BY PERSONS IN MILITARY SERVICE.]

When a county sheriff or other person serves notice of expiration of the time for redemption of any parcel of real property from delinquent taxes upon any occupant of the real property, the sheriff or other person shall inquire of the occupant and otherwise as the sheriff or other person may deem proper whether the real property was owned and occupied for dwelling, professional, business or agricultural purposes by a person in the military service of the United States as defined in the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, or the person's dependents at the commencement of the period of military service. On finding that the real property is so owned, the sheriff or other person shall make a certificate to the county auditor, setting forth the description of the property, the name of the owner, the particulars of the owner's military service so far as ascertained or claimed, and the names and addresses of the persons of whom the sheriff or other person made inquiry. The certificate shall be filed with the county auditor and shall be prima facie evidence of the facts stated. If the real property described in the certificate becomes forfeited to the state, it shall be withheld from sale or conveyance as tax-forfeited property in accordance with and subject to the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, except that the requirement in United States Code, title 50, section 560, that the property be occupied by the dependent or employee of the person in military service does not apply. The period of withholding from sale or conveyance shall be no longer than is required by that act. If upon further investigation the sheriff or other person finds at any time that the

certificate is erroneous in any particular, the sheriff or other person shall file a supplemental certificate referring to the matter in error and stating the facts as found. The supplemental certificate shall be prima facie evidence of the facts stated, and shall supersede any prior certificate so far as in conflict therewith. If it appears from the supplemental certificate that the owner of the real property affected is not entitled to have the same withheld from sale under the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, the property shall not be withheld from sale further under this section.

Sec. 18. Minnesota Statutes 1996, section 281.276, is amended to read:

281.276 [RETURN ~~OF SHERIFF~~ MUST SHOW MILITARY SERVICE.]

Unless a ~~sheriff's~~ certificate showing military service is filed as required by section 281.273, it shall be presumed that the owner of the property described in the notice of expiration of the time for redemption from delinquent taxes is not in such service. The filing of the ~~sheriff's~~ certificate provided for in section 281.273 shall not affect the forfeiture of the real property described in such notice of the expiration of the time for redemption from delinquent taxes or their proceedings relating thereto except as expressly herein provided.

Sec. 19. Minnesota Statutes 1996, section 282.01, subdivision 8, is amended to read:

Subd. 8. [MINERALS IN TAX-FORFEITED LAND AND TAX-FORFEITED STOCKPILED METALLIC MINERALS MATERIAL SUBJECT TO MINING; PROCEDURES.] In case the commissioner of natural resources shall notify the county auditor of any county in writing that the minerals in any tax-forfeited land or tax-forfeited stockpiled metallic minerals material located on tax-forfeited land in such county have been designated as a mining unit as provided by law, or that such minerals or tax-forfeited stockpiled metallic minerals material are subject to a mining permit or lease issued therefor as provided by law, the surface of such tax-forfeited land shall be subject to disposal and use for mining purposes pursuant to such designation, permit, or lease, and shall be withheld from sale or lease by the county auditor until the commissioner shall notify the county auditor that such land has been removed from the list of mining units or that any mining permit or lease theretofore issued thereon is no longer in force; provided, that the surface of such tax-forfeited land may be leased by the county auditor as provided by law, with the written approval of the commissioner, subject to disposal and use for mining purposes as herein provided and to any special conditions relating thereto that the commissioner may prescribe, also subject to cancellation for mining purposes on three months written notice from the commissioner to the county auditor.

Sec. 20. Minnesota Statutes 1996, section 282.04, subdivision 1, is amended to read:

Subdivision 1. [TIMBER SALES; LAND LEASES AND USES.] (a) The county auditor may sell timber upon any tract that may be approved by the natural resources commissioner. Such sale of timber shall be made for cash at not less than the appraised value determined by the county board to the highest bidder after not less than one week's published notice in an official paper within the county. Any timber offered at such public sale and not sold may thereafter be sold at private sale by the county auditor at not less than the appraised value thereof, until such time as the county board may withdraw such timber from sale. The appraised value of the timber and the forestry practices to be followed in the cutting of said timber shall be approved by the commissioner of natural resources.

(b) Payment of the full sale price of all timber sold on tax-forfeited lands shall be made in cash at the time of the timber sale, except in the case of oral or sealed bid auction sales, the down payment shall be no less than 15 percent of the appraised value, and the balance shall be paid prior to entry. In the case of auction sales that are partitioned and sold as a single sale with predetermined cutting blocks, the down payment shall be no less than 15 percent of the appraised price of the entire timber sale which may be held until the satisfactory completion of the sale or applied in whole or in part to the final cutting block. The value of each separate block must be paid in full before any cutting may begin in that block. With the permission of the county administrator the purchaser may enter unpaid blocks and cut necessary timber incidental to developing logging roads as may be needed to log other blocks provided that no timber may be removed from an unpaid block until separately scaled and paid for.

(c) The county board may require final settlement on the basis of a scale of cut products. Any parcels of land from which timber is to be sold by scale of cut products shall be so designated in the published notice of sale above mentioned, in which case the notice shall contain a description of such parcels, a statement of the estimated quantity of each species of timber thereon and the appraised price of each specie of timber for 1,000 feet, per cord or per piece, as the case may be. In such cases any bids offered over and above the appraised prices shall be by percentage, the percent bid to be added to the appraised price of each of the different species of timber advertised on the land. The purchaser of timber from such parcels shall pay in cash at the time of sale at the rate bid for all of the timber shown in the notice of sale as estimated to be standing on the land, and in addition shall pay at the same rate for any additional amounts which the final scale shows to have been cut or was available for cutting on the land at the time of sale under the terms of such sale. Where the final scale of cut products shows that less timber was cut or was available for cutting under terms of such sale than was originally paid for, the excess payment shall be refunded from the forfeited tax sale fund upon the claim of the purchaser, to be audited and allowed by the county board as in case of other claims against the county. No timber, except hardwood pulpwood, may be removed from such parcels of land or other designated landings until scaled by a person or persons designated by the county board and approved by the commissioner of natural resources. Landings other than the parcel of land from which timber is cut may be designated for scaling by the county board by written agreement with the purchaser of the timber. The county board may, by written agreement with the purchaser and with a consumer designated by the purchaser when the timber is sold by the county auditor, and with the approval of the commissioner of natural resources, accept the consumer's scale of cut products delivered at the consumer's landing. No timber shall be removed until fully paid for in cash. Small amounts of timber not exceeding $3,000 in appraised valuation may be sold for not less than the full appraised value at private sale to individual persons without first publishing notice of sale or calling for bids, provided that in case of such sale involving a total appraised value of more than $200 the sale shall be made subject to final settlement on the basis of a scale of cut products in the manner above provided and not more than two such sales, directly or indirectly to any individual shall be in effect at one time.

(d) As directed by the county board, the county auditor may lease tax-forfeited land to individuals, corporations or organized subdivisions of the state at public or private vendue, and at such prices and under such terms as the county board may prescribe, for use as cottage and camp sites and for agricultural purposes and for the purpose of taking and removing of hay, stumpage, sand, gravel, clay, rock, marl, and black dirt therefrom, and for garden sites and other temporary uses provided that no leases shall be for a period to exceed ten years; provided, further that any leases involving a consideration of more than $1,500 per year, except to an organized subdivision of the state shall first be offered at public sale in the manner provided herein for sale of timber. Upon the sale of any such leased land, it shall remain subject to the lease for not to exceed one year from the beginning of the term of the lease. Any rent paid by the lessee for the portion of the term cut off by such cancellation shall be refunded from the forfeited tax sale fund upon the claim of the lessee, to be audited and allowed by the county board as in case of other claims against the county.

(e) As directed by the county board, the county auditor may lease tax-forfeited land to individuals, corporations, or organized subdivisions of the state at public or private vendue, at such prices and under such terms as the county board may prescribe, for the purpose of taking and removing for use for road construction and other purposes tax-forfeited stockpiled iron-bearing material. The county auditor must determine that the material is needed and suitable for use in the construction or maintenance of a road, tailings basin, settling basin, dike, dam, bank fill, or other works on public or private property, and that the use would be in the best interests of the public. No lease shall exceed ten years. The use of a stockpile for these purposes must first be approved by the commissioner of natural resources. The request shall be deemed approved unless the requesting county is notified to the contrary by the commissioner of natural resources within six months after receipt of a request for approval for use of a stockpile. Once use of a stockpile has been approved, the county may continue to lease it for these purposes until approval is withdrawn by the commissioner of natural resources.

(f) The county auditor, with the approval of the county board is authorized to grant permits, licenses, and leases to tax-forfeited lands for the depositing of stripping, lean ores, tailings, or

waste products from mines or ore milling plants, upon such conditions and for such consideration and for such period of time, not exceeding 15 years, as the county board may determine; said permits, licenses, or leases to be subject to approval by the commissioner of natural resources.

(g) Any person who removes any timber from tax-forfeited land before said timber has been scaled and fully paid for as provided in this subdivision is guilty of a misdemeanor.

(h) The county auditor may, with the approval of the county board, and without first offering at public sale, grant leases, for a term not exceeding 25 years, for the removal of peat from tax-forfeited lands upon such terms and conditions as the county board may prescribe. Any lease for the removal of peat from tax-forfeited lands must first be reviewed and approved by the commissioner of natural resources if the lease covers 320 or more acres. No lease for the removal of peat shall be made by the county auditor pursuant to this section without first holding a public hearing on the auditor's intention to lease. One printed notice in a legal newspaper in the county at least ten days before the hearing, and posted notice in the courthouse at least 20 days before the hearing shall be given of the hearing.

Sec. 21. Minnesota Statutes 1996, section 373.40, subdivision 7, is amended to read:

Subd. 7. [REPEALER.] This section is repealed effective for bonds issued after July 1, ~~1998~~ 2003, but continues to apply to bonds issued before that date.

Sec. 22. Minnesota Statutes 1996, section 375.192, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE, CONDITIONS.] Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties, or interest which have been erroneously or unjustly paid. No reduction or abatement may be granted on the basis of providing an incentive for economic development or redevelopment. Except as provided in section 375.194, the county board is authorized to consider and grant reductions or abatements on applications only as they relate to taxes payable in the current year and the two prior years; provided that reductions or abatements for the two prior years shall be considered or granted only for (i) clerical errors, or (ii) when the taxpayer fails to file for a reduction or an adjustment due to hardship, as determined by the county board. The application must include the social security number of the applicant. The social security number is private data on individuals as defined by section 13.02, subdivision 12. All applications must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city assessor, by the city assessor, and by the county auditor before consideration by the county board, except that the part of the application which is for the abatement of penalty or interest must be approved by the county treasurer and county auditor. Approval by the county or city assessor is not required for abatements of penalty or interest. No reduction, abatement, or refund of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of the municipality. Before taking action on any reduction or abatement where the reduction of taxes, costs, penalties, and interest exceed $10,000, the county board shall give 20 days' notice to the school board and the municipality in which the property is located. The notice must describe the property involved, the actual amount of the reduction being sought, and the reason for the reduction. If the school board or the municipality object to the granting of the reduction or abatement, the county board must refer the abatement or reduction to the commissioner of revenue with its recommendation. The commissioner shall consider the abatement or reduction under section 270.07, subdivision 1.

An appeal may not be taken to the tax court from any order of the county board made in the exercise of the discretionary authority granted in this section.

The county auditor shall notify the commissioner of revenue of all abatements resulting from the erroneous classification of real property, for tax purposes, as nonhomestead property. For the abatements relating to the current year's tax processed through June 30, the auditor shall notify the commissioner on or before July 31 of that same year of all abatement applications granted. For the abatements relating to the current year's tax processed after June 30 through the balance of the

year, the auditor shall notify the commissioner on or before the following January 31 of all applications granted. The county auditor shall submit a form containing the social security number of the applicant and such other information the commissioner prescribes.

Sec. 23. Minnesota Statutes 1996, section 465.71, is amended to read:

465.71 [INSTALLMENT AND LEASE PURCHASES; CITIES; COUNTIES; SCHOOL DISTRICTS.]

A home rule charter city, statutory city, county, town, or school district may purchase personal property under an installment contract, or lease real or personal property with an option to purchase under a lease-purchase agreement, by which contract or agreement title is retained by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any, but such purchases are subject to statutory and charter provisions applicable to the purchase of real or personal property. For purposes of the bid requirements contained in section 471.345, "the amount of the contract" shall include the total of all lease payments for the entire term of the lease under a lease-purchase agreement. The obligation created by a lease-purchase agreement for personal property or a lease-purchase agreement for real property if the amount of the contract for purchase of the real property is less than $1,000,000 shall not be included in the calculation of net debt for purposes of section 475.53, and shall not constitute debt under any other statutory provision. No election shall be required in connection with the execution of a lease-purchase agreement authorized by this section. The city, county, town, or school district must have the right to terminate a lease- purchase agreement at the end of any fiscal year during its term.

Sec. 24. Minnesota Statutes 1996, section 465.81, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] Sections 465.81 to 465.87 establish procedures to be used by counties, cities, or towns that adopt by resolution an agreement providing a plan to provide combined services during an initial cooperation period that may not exceed two years and then:

(1) to merge into a single unit of government over the succeeding two-year period; or

(2) to agree to apportion the entire area of at least one local government unit between or among two or more local government units contiguous to the unit to be apportioned, resulting in the elimination of at least one local government unit over the succeeding two years.

Sec. 25. Minnesota Statutes 1996, section 465.81, subdivision 3, is amended to read:

Subd. 3. [COMBINATION REQUIREMENTS.] Counties may combine with one or more other counties. Cities may combine with one or more other cities or with one or more towns. Towns may combine with one or more other towns or with one or more cities. Units that combine must be contiguous. A county, through the adoption of a resolution by all county boards that are affected by the combination, may apportion its territory between or among two or more counties contiguous to the county that is to be apportioned. A city, through the adoption of a resolution by all city councils that are affected by the combination, may apportion its territory between or among two or more cities contiguous to the city that is to be apportioned. A township, through the adoption of a resolution by all town boards or city councils that are affected by the combination, may apportion its territory between or among two or more townships or cities contiguous to the township that is to be apportioned.

Sec. 26. Minnesota Statutes 1996, section 465.82, subdivision 1, is amended to read:

Subdivision 1. [ADOPTION AND STATE AGENCY REVIEW.] Each governing body that proposes to ~~combine~~ take part in a combination under sections 465.81 to 465.87 must ~~adopt~~ by resolution adopt a plan for cooperation and combination. The plan must address each item in this section. The plan must be specific for any item that will occur within three years and may be general or set forth alternative proposals for an item that will occur more than three years in the future. The plan must be submitted to the board of government innovation and cooperation for review and comment. For a metropolitan area local government unit, the plan must also be submitted to the metropolitan council for review and comment. The council may point out any resources or technical assistance it may be able to provide a governing body submitting a plan

under this subdivision. Significant modifications and specific resolutions of items must be submitted to the board and council, if appropriate, for review and comment. In the official newspaper of each local government unit ~~proposed for~~ proposing to take part in the combination, the governing body ~~must~~ shall publish at least a summary of the adopted plans, each significant modification and resolution of items, and, if appropriate, the results of each board and council~~, if appropriate,~~ review and comment. If a territory of a unit is to be apportioned between or among two or more units contiguous to the unit that is to be apportioned, the plan must specify the area that will become a part of each remaining unit.

Sec. 27. Minnesota Statutes 1996, section 465.82, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF PLAN.] The plan must state:

(1) the specific cooperative activities the units will engage in during the first two years of the venture;

(2) the steps to be taken to effect the merger of the governmental units, with completion no later than four years after the process begins;

(3) the steps by which a single governing body will be created or, when the entire territory of a unit will be apportioned between or among two or more units contiguous to the unit that is to be apportioned, the steps to be taken by the governing bodies of the remaining units to provide for representation of the residents of the apportioned unit;

(4) changes in services provided, facilities used, and administrative operations and staffing required to effect the preliminary cooperative activities and the final merger, and a two-, five-, and ten-year projection of expenditures for each unit if it combined and if it remained separate;

(5) treatment of employees of the merging governmental units, specifically including provisions for reassigning employees, dealing with ~~unions~~ exclusive representatives, and providing financial incentives to encourage early retirements;

(6) financial arrangements for the merger, specifically including responsibility for debt service on outstanding obligations of the merging ~~entities~~ units;

(7) one- and two-year impact ~~analysis~~ analyses, prepared by the granting state agency at the request of the local government unit, of major state aid revenues received for each unit if it combined and if it remained separate~~. This would also include~~, including an impact analysis, prepared by the department of revenue, of any property tax revenue implications~~, if any,~~ associated with tax increment financing districts and fiscal disparities under chapter 276A or 473F resulting from the merger;

(8) procedures for a referendum to be held before the proposed combination to approve combining the local government units, specifically stating whether a majority of those voting in each district proposed for combination or a majority of those voting on the question in the entire area proposed for combination ~~would be~~ is needed to pass the referendum; and

(9) a time schedule for implementation.

Notwithstanding clause (3) or any other law to the contrary, all current members of the governing bodies of the local ~~governmental~~ government units that propose to combine under sections 465.81 to 465.88 may serve on the initial governing body of the combined unit until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached.

Sec. 28. Minnesota Statutes 1996, section 465.82, is amended by adding a subdivision to read:

Subd. 3. [INTERIM GOVERNING BODY.] The plan for cooperation and combination adopted in accordance with subdivision 1 may establish an interim governing body to act on behalf of the new local government unit before the effective date of the combination. If established, the interim governing body must consist of at least a majority of the elected officials

from each local government unit taking part in the combination. If the plan establishes an interim governing body, the governing body of each unit taking part in the combination shall appoint its representatives to serve on the interim governing body. An interim governing body may not take any official action on behalf of the new local government unit before approval of the combination through the referendum required by section 465.84. After approval of the combination through the referendum, and before the effective date of the combination, an interim governing body may exercise all statutory authority of the governing body of the new local government unit, including the authority to enter into contracts and adopt policies and local ordinances.

Sec. 29. Minnesota Statutes 1996, section 465.87, subdivision 1a, is amended to read:

Subd. 1a. [ADDITIONAL ELIGIBILITY.] A local government unit is eligible to apply for aid under this section if it has combined with another unit of government in accordance with any process within chapter 414 that results in the elimination of at least one local government unit and a copy of the municipal board's order or orders combining the ~~two~~ units of government is forwarded to the board. If the municipal board issues two or more orders within 30 days for the annexation of the area of an entire township by two or more cities contiguous to the township, the cities subject to the board's order are eligible to receive pro rata shares, on the basis of their populations, of the total amount of cooperation and combination aid all participating units of government would be eligible to receive under subdivision 2. If two units of government cooperate in the orderly annexation of the entire area of a third unit of government which has a population of at least 8,000 people, the two units of government are each eligible for the amount of aid specified in subdivision 2.

Sec. 30. Minnesota Statutes 1996, section 465.87, subdivision 2, is amended to read:

Subd. 2. [AMOUNT OF AID.] The annual amount of aid to be paid to each eligible local government unit may not exceed the following per capita amounts, based on the combined population of the units, as estimated by the state demographer, or $100,000, whichever is less.

Combined Population after Combination	Aid Per Capita
0 - 2,500	$25
2,500 - 5,000	20
5,000 - 20,000	15
over 20,000	10

If two or more units are eligible for a single award under this subdivision, the award must be divided among the units in pro rata shares based on each unit's population. Payments must be made on the dates provided for payments of local government aid under section 477A.013, beginning in the year during which substantial cooperative activities under the plan initially occur, unless those activities begin after July 1, in which case the initial aid payment must be made in the following calendar year. Payments to a local government unit that qualifies for aid under subdivision 1a must be made on the dates provided for payments of local government aids under section 477A.013, beginning in the calendar year during which a combination in any form is expected to be ordered by the Minnesota municipal board as evidenced in a resolution adopted by July 1 by the affected local government units declaring their intent to combine. The resolutions must certify that the combination agreement addressing all issues relative to the combination is substantially complete. The total amount of aid paid may not exceed the amount appropriated to the board for purposes of this section.

Sec. 31. Minnesota Statutes 1996, section 465.88, is amended to read:

465.88 [PLANNING AID FOR CONSOLIDATION STUDIES.]

Two or more local units of government with a combined population of ~~2,500~~ 15,000 or less based on the most recent decennial census may apply to the board for aid to assist in the study of a

possible consolidation or combination. To be eligible for receipt of aid under this section, the ~~two~~ local units of government must be subject to a municipal board ~~motion~~ proceeding to form a consolidation commission under section 414.041, subdivision 2, or the governing bodies of the local units of government must have approved a resolution expressing their intent to develop and submit a combination plan for consideration by the board. The application must be on a form prescribed by the board and must provide a proposed budget detailing how the requested aid ~~shall~~ is to be used. The governing bodies of the local units of government ~~must~~ shall also approve resolutions certifying that the requested aid is essential for paying a portion of the costs associated with the consolidation or combination study. The board may grant up to $10,000 in aid for each application received. Two or more local government units with a combined population of at least 2,500 but not greater than 15,000, based on the most recent decennial census, must agree to provide at least $1 for the study of a possible consolidation or combination for each dollar of aid granted by the board under this section.

Sec. 32. Minnesota Statutes 1996, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraphs (b) ~~and~~, (c), and (d), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by $40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than $60 per capita.

(d) The city aid base for a city is increased by $20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $20,000 in calendar year 1997 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than $400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

Sec. 33. Minnesota Statutes 1996, section 611.27, subdivision 4, is amended to read:

Subd. 4. [COUNTY PORTION OF COSTS.] That portion of subdivision 1 directing counties to pay the costs of public defense service shall not be in effect ~~between~~ after January 1, 1995~~, and July 1, 1997~~. This subdivision only relates to costs associated with felony, gross misdemeanor, juvenile, and misdemeanor public defense services. Notwithstanding the provisions of this

subdivision, in the first, fifth, seventh, ninth, and tenth judicial districts, the cost of juvenile and misdemeanor public defense services for cases opened prior to January 1, 1995, shall remain the responsibility of the respective counties in those districts, even though the cost of these services may occur after January 1, 1995.

Sec. 34. Laws 1992, chapter 511, article 2, section 52, is amended to read:

Sec. 52. [WATERSHED DISTRICT LEVIES.]

(a) The Nine Mile Creek watershed district, the Riley-Purgatory Bluff Creek watershed district, the Minnehaha Creek watershed district, the Coon Creek watershed district, and the Lower Minnesota River watershed district may levy in 1992 and thereafter a tax not to exceed $200,000 on property within the district for the administrative fund. The levy authorized under this section is in lieu of section 103D.905, subdivision 3. The administrative fund shall be used for the purposes contained in Minnesota Statutes, section 103D.905, subdivision 3. The board of managers shall make the levy for the administrative fund in accordance with Minnesota Statutes, section 103D.915.

(b) The Wild Rice watershed district may levy, for taxes payable in 1993, 1994, 1995, 1996, ~~and~~ 1997, 1998, 1999, 2000, 2001, and 2002, an ad valorem tax not to exceed $200,000 on property within the district for the administrative fund. The additional $75,000 above the amount authorized in Minnesota Statutes, section 103D.905, subdivision 3, must be used for costs incurred in connection with the development and maintenance of cost-sharing projects with the United States Army Corps of Engineers. The board of managers shall make the levy for the administrative fund in accordance with Minnesota Statutes, section 103D.915.

Sec. 35. [TEMPORARY EXTENSION OF TAX ABATEMENT AUTHORITY.]

Upon written application of the owner of a qualified property, the governing body of a county that contains a city of the first class may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the governing body deems just and equitable as it relates to taxes payable in 1992, 1993, and 1994. As used in this section, a qualified property is a property that meets all of the following requirements:

(1) it is a class C commercial office building constructed before 1930, that has less than 200,000 square feet in area, and contains asbestos;

(2) it has a downtown skyway system connection that was financed by municipal revenue bonds;

(3) it is in the process of tax forfeiture; and

(4) its market value declined by more than 70 percent between 1991 and 1996.

The authority to grant abatements under this section terminates on December 31, 1997.

Sec. 36. [BROOKLYN PARK; CERTIFICATION OF CHARGES; DEFINITIONS.]

Subdivision 1. [SCOPE.] For the purpose of sections 37 and 38, the terms defined in this section have the meanings given them.

Subd. 2. [ASSOCIATION.] "Association" has the meaning given it in Minnesota Statutes, section 515B.1-103, paragraph (4).

Subd. 3. [AUTHORITY.] "Authority" means the Brooklyn Park economic development authority.

Subd. 4. [COMMON ELEMENTS.] "Common elements" has the meaning given it in Minnesota Statutes, section 515B.1-103, paragraph (7).

Subd. 5. [COMMON ELEMENT IMPROVEMENTS.] "Common element improvements" means any physical repair, replacement, or modification of, or addition to, the common elements of a common interest community.

Subd. 6. [COMMON INTEREST COMMUNITY.] "Common interest community" has the meaning given it in Minnesota Statutes, section 515B.1-103, paragraph (10).

Subd. 7. [UNIT.] "Unit" has the meaning given it in Minnesota Statutes, section 515B.1-103, paragraph (33).

Subd. 8. [UNIT OWNER.] "Unit owner" has the meaning given it in Minnesota Statutes, section 515B.1-103, paragraph (35).

Sec. 37. [AUTHORITY GRANTED.]

If:

(1) the authority lends or agrees to lend funds to an association for the provision or construction of common element improvements;

(2) the association has duly levied common expense assessments against the units in order to provide the association with funds to:

(i) pay principal and interest on the loan;

(ii) provide coverage in excess of principal and interest payments on the loan;

(iii) create or replenish reserve funds pledged as security for the loan; or

(iv) pay expenses related to the loan or the assessments that are identified in the loan agreement between the authority and the association;

(3) a unit owner has become delinquent in the payment of any assessment installment; and

(4) the association has declared the entire amount of the assessment due and owing pursuant to Minnesota Statutes, section 515B.3-115, paragraph (k), then

the authority may certify the delinquent assessment, together with interest and penalties, to the county auditor for collection to the same extent and in the same manner provided by law for the assessment and collection of real estate taxes.

Sec. 38. [DISCLOSURE REQUIRED.]

For any common interest community located in the city of Brooklyn Park, the disclosure statement required under Minnesota Statutes, section 515B.4-102, must include a description of the potential applicability and consequences of section 37.

Sec. 39. [CITY OF DULUTH; REASSESSMENTS OF CANCELED SPECIAL ASSESSMENTS.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding any law, city charter provision, or ordinance to the contrary, if a parcel of tax-forfeited land located in the city of Duluth is returned to private ownership and the parcel is benefited by an improvement for which special assessments were canceled because of the forfeiture, the city council may, upon notice and hearing as provided for in the original assessment, make a reassessment or a new assessment as to the parcel in an amount equal to the amount remaining unpaid on the original assessment.

Subd. 2. [LOCAL APPROVAL REQUIRED.] This section is effective upon approval by the governing body of the city of Duluth and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. [FLOODWOOD JOINT RECREATION BOARD TAX.]

Subdivision 1. [LEVY AUTHORIZATION.] Each year, the Floodwood joint recreation board may levy a tax not to exceed $25,000 on the value of property situated in the territory of independent school district No. 698 in accordance with this section. Property in territory in the school district may be made subject to the tax permitted by this section by the agreement of the

governing body or town board of the city or town where it is located. The agreement may be by resolution of a governing body or town board or by a joint powers agreement pursuant to Minnesota Statutes, section 471.59. If levied, the tax is in addition to all other taxes on the property subject to it permitted to be levied for park and recreation purposes by the cities and towns other than for the support of the joint recreation board. It shall be disregarded in the calculation of all other mill rate or per capita tax levy limitations imposed by law or charter upon them. A city or town may withdraw its agreement to future taxes by notice to the recreation board and the county auditor unless provided otherwise by a joint powers agreement. The tax shall be collected by the applicable county auditor and treasurer and paid directly to the Floodwood joint recreation board.

Subd. 2. [LOCAL APPROVAL.] This section is effective in the city of Floodwood, the towns of Arrowhead, Fine Lakes, Floodwood, Halden, Van Buren, Cedar Valley, Prairie Lake, and Unorganized Township 52-21 in St. Louis county, and Unorganized Township 52-22 in Aitkin county the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each. This section is effective for each city, town, and unorganized township regardless of the action of the others.

Approval of this section is not agreement to be subject to the tax permitted by it. Agreement to the tax must be by separate action in accordance with subdivision 1.

Sec. 41. [MINNEAPOLIS UTILITY CHARGE ASSESSMENTS.]

Subdivision 1. [BECOMES LIEN WHEN DELINQUENT.] An assessment by the city of Minneapolis for delinquent utility charges, and interest and penalties on the charges under Minnesota Statutes, section 272.32; Laws 1969, chapter 499; Laws 1973, chapter 320; or Laws 1994, chapter 587, article 9, section 4, with accruing interest, is a lien upon all property included in the assessment, concurrent with general taxes, from the date the utility charges become delinquent, regardless of the date the assessment is levied. The time of effect of a lien attached for delinquent utility charge assessments supersedes any contrary law in Minnesota Statutes, section 272.32 or 429.061.

Subd. 2. [WHEN DELINQUENT; STATEMENT REQUIRED.] Utility charges become delinquent for purposes of this section when they are set forth in a statement sent by the city of Minneapolis to the address of the property subject to the utility charges and the last known address of the owner of the property and are not paid in full on or before the due date stated in the statement. Upon request, the utility billing department shall provide a written statement with the total cumulative accounting of all levied and pending utility charges within ten working days of the request. Pending charges shall not be valid against third parties who rely upon the written statement or if the written statement is not provided within the requisite time period.

Subd. 3. [UTILITY CHARGES DEFINED.] "Utility charges," in this section, includes all fees, taxes, special charges, or other charges imposed by the city of Minneapolis in connection with the provision of services for sewer, water, solid waste collection and management, nuisance abatement, or other services or improvements specified in Minnesota Statutes, section 429.101; Laws 1969, chapter 499; and Laws 1973, chapter 320.

Subd. 4. [NOT CONVEYANCES.] The statement issued by the city of Minneapolis for utility charges or any instrument in writing created in connection with any assessment for delinquent utility charges subject to this section are not conveyances as defined in Minnesota Statutes, section 507.01, and are not subject to the requirements of Minnesota Statutes, chapter 507, regarding conveyances of real estate.

Sec. 42. [SAUK RIVER WATERSHED DISTRICT.]

Subdivision 1. [LEVY AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Sauk River watershed district may levy up to $150,000 for its administrative fund for taxes levied in 1997, payable in 1998.

Subd. 2. [EFFECTIVE DATE.] Pursuant to Minnesota Statutes, section 645.023, subdivision 1, this section is effective without local approval the day following final enactment.

Sec. 43. [VIRGINIA AREA AMBULANCE DISTRICT.]

Subdivision 1. [AGREEMENT; POWERS; GENERAL DESCRIPTION.] (a) The cities of Virginia, Mountain Iron, Eveleth, Leonidas, Iron Junction, and Gilbert, and the towns of Pike, Clinton, McDavitt, Colvin, Sandy, Cherry, Ellsburg, Wouri, Lavell, Fayal, Cotton, and Embarrass may by resolution of their city councils and town boards establish the Virginia area ambulance district.

(b) The St. Louis county board may by resolution provide that property located in unorganized townships described in clauses (1) to (7) may be included within the district:

(1) Township 61 North, Range 17 West;

(2) Township 59 North, Ranges 16 and 18 West;

(3) Township 56 North, Range 16 West;

(4) Township 60 North, Range 18 West;

(5) Township 55 North, Range 15;

(6) Township 56, Range 17; and

(7) Township 57, Range 16.

(c) The district shall make payments of the proceeds of the tax authorized in this section to the city of Virginia, which shall provide ambulance services throughout the district and may exercise all the powers of the cities and towns that relate to ambulance service anywhere within its territory.

(d) Any other contiguous town or home rule charter or statutory city may join the district with the agreement of the cities and towns that comprise the district at the time of its application to join. Action to join the district may be taken by the city council or town board of the city or town.

Subd. 2. [BOARD.] The district shall be governed by a board composed of one member appointed by the city council or town board of each city and town in the district. A district board member may, but is not required to, be a member of a city council or town board. Except as provided in this section, members shall serve two-year terms ending the first Monday in January and until their successors are appointed and qualified. Of the members first appointed, as far as possible, the terms of one-half shall expire on the first Monday in January in the first year following appointment and one-half the first Monday in January in the second year. The terms of those initially appointed must be determined by lot. If an additional member is added because an additional city or town joins the district, the member's term must be fixed so that, as far as possible, the terms of one-half of all the members expire on the same date.

Subd. 3. [TAX.] The district may impose a property tax on real and personal property in the district in an amount sufficient to discharge its operating expenses and debt payable in each year but not to exceed .0528 percent of the district's taxable market value. The St. Louis county auditor shall collect the tax and distribute it to the Virginia area ambulance district.

Subd. 4. [EXPENDITURES.] The taxes collected under subdivision 3 shall be used for licensed ambulance services and first responders. Licensed ambulance services shall receive 80 percent of the available funds and first responders shall receive 20 percent of the available funds. The amounts allocated to first responders shall be used for education, training, and reimbursement for their allowable expenses. Only education and training that meets the recognized education and training guidelines set by the emergency medical services regulatory board under Minnesota Statutes, chapter 144E, shall be reimbursable under this subdivision.

Subd. 5. [PUBLIC INDEBTEDNESS.] The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish a duty charged to it.

Subd. 6. [WITHDRAWAL.] Upon two years' notice, a city or town may withdraw from the district. Its territory shall remain subject to taxation for debt incurred prior to its withdrawal under Minnesota Statutes, chapter 475.

Subd. 7. [EFFECTIVE DATE.] This section is effective (1) in the cities of Virginia, Mountain Iron, Eveleth, Leonidas, Iron Junction, and Gilbert, and the towns of Pike, Clinton, McDavitt, Colvin, Sandy, Cherry, Ellsburg, Wouri, Lavell, Fayal, Cotton, and Embarrass, the day after compliance with Minnesota Statutes, section 645.021, subdivision 2, by the governing body of each, and (2) for unorganized townships described in subdivision 1, paragraph (b), clauses (1) to (7), the day after compliance with Minnesota Statutes, section 645.021, subdivision 2, by the St. Louis county board, provided that the district must be established by September 1, 2000. Any of the cities, towns, and unorganized townships listed in subdivision 1 that do not join the district initially may join the district after its establishment.

Sec. 44. [JOINT DITCH NO. 1, CHISAGO AND WASHINGTON COUNTIES.]

Subdivision 1. [ABANDONMENT.] Notwithstanding Minnesota Statutes, section 103E.811, the counties of Chisago and Washington may, after making a determination that joint ditch no. 1 is not of public benefit and utility, order its abandonment.

Subd. 2. [LEVY.] Notwithstanding Minnesota Statutes, section 103E.725, Chisago and Washington counties may levy an ad valorem tax for the purposes of subdivision 1.

Sec. 45. [WASHINGTON COUNTY; LEVY TO FUND THE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY.]

Subdivision 1. [AUTHORIZATION.] In addition to all other levies authorized by law, Washington county may levy an amount not to exceed $2,000,000 in 1997 for taxes payable in 1998 only, and transfer the proceeds of the levy to the Washington county housing and redevelopment authority to be used to support the activities of the authority in the city of Landfall.

Subd. 2. [LOCAL APPROVAL.] This section is effective upon approval by the governing body of Washington county and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 46. [REPORT; ELDERLY ASSISTED LIVING CARE FACILITIES.]

The department of revenue shall conduct a survey with all county assessors of the tax status of all elderly assisted living care facilities as defined in section 12, located in the state, and report to the chairs of the house and senate tax committees by February 1, 1998, on its findings. The department shall include in the survey a request for an estimate of the amount of charitable contributions, if any, for each elderly assisted living care facility and the relative portion of those charitable contributions to the total operating costs of the elderly assisted living care facility.

Sec. 47. [AID INCREASE.]

Calendar year 1998 aids to counties and cities under Minnesota Statutes 1996, section 273.1398, subdivision 2, shall be permanently increased by the amount of the appropriation provided under Laws 1996, chapter 471, article 3, section 48, subdivision 5.

Sec. 48. [REPEALER.]

Minnesota Statutes 1996, section 477A.05, is repealed.

Sec. 49. [EFFECTIVE DATE.]

Sections 2 to 4 are effective the day following final enactment.

Sections 6 and 8 to 12 are effective for taxes levied in 1997, payable in 1998, and thereafter.

Section 7 is effective beginning with the 1997 assessment and ending with the 2002 assessment, for qualifying improvements made after January 2, 1993, to a residence that has been

relocated; provided, that any residence that originally qualifies in that time period will be allowed to receive the benefits provided under section 7 for the full ten-year time period. In order to qualify for a market value exclusion under Minnesota Statutes, section 273.11, subdivision 10, for the 1997 assessment for improvements made to a relocated residence, a homeowner must notify the assessor by June 1, 1997.

Sections 32, 47, and 48 are effective for aids paid in 1998 and thereafter.

Sections 36 to 38 are effective the day after the governing body of Brooklyn Park complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 9

FEDERAL UPDATE

Section 1. Minnesota Statutes 1996, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 22~~ December 31, 1996, and includes the provisions of section 1(a) and (b) of Public Law Number 104-117.

Sec. 2. Minnesota Statutes 1996, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(h) 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; ~~and~~

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, ~~and~~ the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of sections 1305, 1704(r), and 1704(e)(1) of the

Small Business Job Protection Act, Public Law Number 104-188, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, ~~and~~ the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, and the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of sections 1703(a), 1703(d), 1703(i), 1703(l), and 1703(m) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, ~~and~~ the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the

provision of section 501(b)(2) of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1604 and 1704(p)(1) and (2) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.

The provisions of sections 1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805 of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 511 of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995.

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of Public Law Number 104-117 become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1996, section 290.01, subdivision 19a, 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 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 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(h) 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 taxes paid or accrued within the taxable year under this chapter and income 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. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction 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 Number 99-514, applies; ~~and~~

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes 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 loss or expense included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725; and

(6) the amount of any distributions in cash or property made to a shareholder during the taxable year by a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue code, but which is not allowed to be an "S" corporation under section 290.9725 to the extent not already included in federal taxable income under section 1368 of the Internal Revenue Code.

Sec. 4. Minnesota Statutes 1996, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others not to exceed $650 for each dependent in grades kindergarten to 6 and $1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "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. In order to qualify for the subtraction under this clause the taxpayer must elect to itemize deductions under section 63(e) of the Internal Revenue Code;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 290.0802;

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

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

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

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

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

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

(10) the amount of income or gain included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code which is not allowed to be an "S" corporation under section 290.9725.

Sec. 5. Minnesota Statutes 1996, section 290.01, subdivision 19f, is amended to read:

Subd. 19f. [BASIS MODIFICATIONS AFFECTING GAIN OR LOSS ON DISPOSITION OF PROPERTY.] (a) For individuals, estates, and trusts, the basis of property is its adjusted basis for federal income tax purposes except as set forth in paragraphs (f) ~~and~~, (g) and (m). For corporations, the basis of property is its adjusted basis for federal income tax purposes, without regard to the time when the property became subject to tax under this chapter or to whether out-of-state losses or items of tax preference with respect to the property were not deductible under this chapter, except that the modifications to the basis for federal income tax purposes set forth in paragraphs (b) to (j) are allowed to corporations, and the resulting modifications to federal taxable income must be made in the year in which gain or loss on the sale or other disposition of property is recognized.

(b) The basis of property shall not be reduced to reflect federal investment tax credit.

(c) The basis of property subject to the accelerated cost recovery system under section 168 of the Internal Revenue Code shall be modified to reflect the modifications in depreciation with respect to the property provided for in subdivision 19e. For certified pollution control facilities for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, the basis of the property must be increased by the amount of the amortization deduction not previously allowed under this chapter.

(d) For property acquired before January 1, 1933, the basis for computing a gain is the fair market value of the property as of that date. The basis for determining a loss is the cost of the property to the taxpayer less any depreciation, amortization, or depletion, actually sustained before that date. If the adjusted cost exceeds the fair market value of the property, then the basis is the adjusted cost regardless of whether there is a gain or loss.

(e) The basis is reduced by the allowance for amortization of bond premium if an election to amortize was made pursuant to Minnesota Statutes 1986, section 290.09, subdivision 13, and the allowance could have been deducted by the taxpayer under this chapter during the period of the taxpayer's ownership of the property.

(f) For assets placed in service before January 1, 1987, corporations, partnerships, or individuals engaged in the business of mining ores other than iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(g) For assets placed in service before January 1, 1990, corporations, partnerships, or individuals engaged in the business of mining iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(h) In applying the provisions of sections 301(c)(3)(B), 312(f) and (g), and 316(a)(1) of the Internal Revenue Code, the dates December 31, 1932, and January 1, 1933, shall be substituted for February 28, 1913, and March 1, 1913, respectively.

(i) In applying the provisions of section 362(a) and (c) of the Internal Revenue Code, the date December 31, 1956, shall be substituted for June 22, 1954.

(j) The basis of property shall be increased by the amount of intangible drilling costs not previously allowed due to differences between this chapter and the Internal Revenue Code.

(k) The adjusted basis of any corporate partner's interest in a partnership is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (b) to (j). The adjusted basis of a partnership in which the partner is an individual, estate, or trust is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (f) and (g).

(l) The modifications contained in paragraphs (b) to (j) also apply to the basis of property that is determined by reference to the basis of the same property in the hands of a different taxpayer or by reference to the basis of different property.

(m) If a corporation has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but is not allowed to be an "S" corporation under section 290.9725, and the corporation is liquidated or the individual shareholder disposes of the stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders' basis for federal purposes, the shareholders shall be entitled to a capital loss commensurate to their Minnesota basis for the stock.

Sec. 6. Minnesota Statutes 1996, section 290.01, subdivision 19g, is amended to read:

Subd. 19g. [ACRS MODIFICATION FOR INDIVIDUALS.] (a) An individual is allowed a subtraction from federal taxable income for the amount of accelerated cost recovery system deductions that were added to federal adjusted gross income in computing Minnesota gross income for taxable year 1981, 1982, 1983, or 1984 and that were not deducted in a later taxable year. The deduction is allowed beginning in the first taxable year after the entire allowable deduction for the property has been allowed under federal law or the first taxable year beginning after December 31, 1987, whichever is later. The amount of the deduction is computed by deducting the amount added to federal adjusted gross income in computing Minnesota gross income (less any deduction allowed under Minnesota Statutes 1986, section 290.01, subdivision 20f) in equal annual amounts over five years.

(b) In the event of a sale or exchange of the property, a deduction is allowed equal to the lesser of (1) the remaining amount that would be allowed as a deduction under paragraph (a) or (2) the amount of capital gain recognized and the amount of cost recovery deductions that were subject to recapture under sections 1245 and 1250 of the Internal Revenue Code of 1986 for the taxable year.

(c) In the case of a corporation ~~electing S corporation status under section 1362 of the Internal Revenue Code~~ treated as an "S" corporation under section 290.9725, the amount of the corporation's cost recovery allowances that have been deducted in computing federal tax, but have been added to federal taxable income or not deducted in computing tax under this chapter as a result of the application of subdivision 19e, paragraphs (a) and (c) or Minnesota Statutes 1986, section 290.09, subdivision 7, is allowed as a deduction to the shareholders under the provisions of paragraph (a).

Sec. 7. Minnesota Statutes 1996, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal

Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 22~~ December 31, 1996, and includes the provisions of section 1(a) and (b) of Public Law Number 104-117.

Sec. 8. Minnesota Statutes 1996, section 290.014, subdivision 2, is amended to read:

Subd. 2. [NONRESIDENT INDIVIDUALS.] Except as provided in section 290.015, a nonresident individual is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the nonresident individual is:

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

(2) taxed to the individual 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 the individual's 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 individual directly from the source from which realized by the estate;

(3) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character that is taxable under this chapter) in the individual's 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 individual directly from the source from which realized by the trust;

(4) taxed to the individual 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 the individual's 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 individual directly from the source from which realized by the partnership; or

(5) taxed to the individual 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 the individual's capacity as a shareholder of a corporation ~~having a valid election in effect under section 1362 of the Internal Revenue Code~~ treated as an "S" corporation under section 290.9725, and 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 1366(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 individual directly from the source from which realized by the corporation.

Sec. 9. Minnesota Statutes 1996, section 290.014, subdivision 3, is amended to read:

Subd. 3. [TRUSTS AND ESTATES.] Except as provided in section 290.015, a trust or estate, whether resident or nonresident, is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the trust or estate is:

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

(2) taxed to the trust or estate 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 a trust or 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 trust or beneficiary estate directly from the source from which realized by the distributing estate;

(3) taxed to the trust or estate 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 beneficiary trust or estate directly from the source from which realized by the distributing trust;

(4) taxed to the trust or estate 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 trust or estate directly from the source from which realized by the partnership; or

(5) taxed to the trust or estate 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 shareholder of a corporation ~~having a valid election in effect under section 1362 of the Internal Revenue Code~~ treated as an "S" corporation under section 290.9725, and 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 1366(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 trust or estate directly from the source from which realized by the corporation.

Sec. 10. Minnesota Statutes 1996, section 290.015, subdivision 3, is amended to read:

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

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

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

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

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

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

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

(6) an interest acquired from a person in a funded or unfunded agreement to extend or

guarantee credit whether conditional, mandatory, temporary, standby, secured, or otherwise, subject to the provisions of paragraph (c), clause (2)(A);

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

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

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

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

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

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

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

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

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

Sec. 11. Minnesota Statutes 1996, section 290.015, subdivision 5, is amended to read:

Subd. 5. [DETERMINATION AT ENTITY LEVEL.] Determinations under this section with respect to trades or businesses conducted by a partnership, trust, estate, or corporation ~~with an election in effect under section 1362 of the Internal Revenue Code~~ treated as an "S" corporation under section 290.9725, or any other entity, the income of which is or may be taxed to its owners or beneficiaries must be made with respect to the entity carrying on the trade or business and not with respect to owners or beneficiaries of the trade or business, the taxability of which under this chapter must be determined under section 290.014.

Sec. 12. Minnesota Statutes 1996, section 290.06, subdivision 22, is amended to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this

state pursuant to section 290.01, subdivision 7, clause (2), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

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

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

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

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

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

(g) For the purposes of this subdivision, a resident shareholder of a corporation ~~having a valid election in effect under section 1362 of the Internal Revenue Code~~ 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 member of a limited liability company taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the member in an amount equal to the member's pro rata share of any net income tax paid by the limited liability company to a state that does not measure the income of the member of the limited liability company by reference to the income of the limited liability company. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a limited liability company's net income.

Sec. 13. Minnesota Statutes 1996, section 290.068, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] A corporation, other than a corporation ~~with a valid election in effect under section 1362 of the Internal Revenue Code~~ treated as an "S" corporation under section 290.9725, is allowed a credit against the portion of the franchise tax computed under section 290.06, subdivision 1, for the taxable year equal to:

(a) 5 percent of the first $2 million 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 million.

Sec. 14. Minnesota Statutes 1996, 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 ~~having a valid election in effect under section 1362 of the Internal Revenue Code~~ 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

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that ~~has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code~~ 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

Sec. 15. Minnesota Statutes 1996, 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 ~~having a valid election in effect under section 1362 of the Internal Revenue Code~~ 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, 290.35, or 290.36. Deductions not definitely related to any item or class of gross income 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.

Sec. 16. Minnesota Statutes 1996, section 290.371, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return has been filed under section 289A.08;

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05;

(4) the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b); or

(5) the corporation ~~has a valid election in effect under section 1362 of the Internal Revenue Code~~ is an "S" corporation under section 290.9725.

Sec. 17. Minnesota Statutes 1996, section 290.9725, is amended to read:

290.9725 [S CORPORATION.]

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, except that a corporation which either:

(1) is a financial institution to which either section 585 or section 593 of the Internal Revenue Code applies; or

(2) has a wholly owned subsidiary as described in section 362(b)(3) of the Internal Revenue Code which is a financial institution as described above

is not an "S" corporation for the purposes of this chapter. An S corporation shall not be subject to the taxes imposed by this chapter, except the taxes imposed under sections 290.0922, 290.92, 290.9727, 290.9728, and 290.9729.

Sec. 18. Minnesota Statutes 1996, section 290.9727, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] For ~~a~~ an "S" corporation electing S corporation status pursuant to section 1362 of the Internal Revenue Code after December 31, 1986, and having a recognized built-in gain as defined in section 1374 of the Internal Revenue Code, there is imposed a tax on the taxable income of such S corporation, as defined in this section, at the rate prescribed by section 290.06, subdivision 1. This subdivision does not apply to any corporation having an S election in effect for each of its taxable years. An S corporation and any predecessor corporation must be treated as one corporation for purposes of the preceding sentence.

Sec. 19. Minnesota Statutes 1996, section 290.9728, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] There is imposed a tax on the taxable income of ~~a~~ an "S" corporation that has:

(1) elected S corporation status pursuant to section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1986, before January 1, 1987;

(2) a net capital gain for the taxable year (i) in excess of $25,000 and (ii) exceeding 50 percent of the corporation's federal taxable income for the taxable year; and

(3) federal taxable income for the taxable year exceeding $25,000.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. For purposes of this section, "federal taxable income" means federal taxable income determined under section 1374(4)(d) of the Internal Revenue Code. This section does not apply to an S corporation which has had an election under section 1362 of the Internal Revenue Code of 1954, in effect for the three immediately preceding taxable years. This section does not apply to an S corporation that has been in existence for less than four taxable years and has had an election in effect under section 1362 of the Internal Revenue Code of 1954 for each of the corporation's taxable years. For purposes of this section, an S corporation and any predecessor corporation are treated as one corporation.

Sec. 20. [290.9743] [ELECTION BY FASIT.]

An entity having a valid election as a financial asset securitization investment trust in effect for a taxable year under section 860L(a) of the Internal Revenue Code shall not be subject to the taxes imposed by this chapter, except the tax imposed under section 290.92.

Sec. 21. [290.9744] [FASIT INCOME TAXABLE TO HOLDERS OF INTERESTS.]

The income of a financial asset securitization investment trust is taxable to the holders of interests in the financial asset securitization investment trust as provided in sections 860H to 860L of the Internal Revenue Code. The income of the holders must be computed under the provisions of this chapter.

Sec. 22. Minnesota Statutes 1996, section 291.005, subdivision 1, is amended to read:

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

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

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

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

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

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

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~March 22~~ December 31, 1996, and includes the provisions of section 1(a)(4) of Public Law Number 104-117.

Sec. 23. [FEDERAL CHANGES.]

The changes made by sections 1118(a), 1305, 1603, 1702(e), and 1702(f) of the Small Business Job Protection Act, Public Law Number 104-188, sections 451(a), 451(b), 909, and 910 of the Personal Responsibility and Work Opportunity Reconciliation Act, Public Law Number 104-193, and the federal changes to taxable income of section 2 of this article which affect the Minnesota definition of wages under Minnesota Statutes, section 290.92, subdivision 1, S corporation status under Minnesota Statutes, section 290.9725, unrelated business income tax under Minnesota Statutes, section 290.05, subdivision 3, corporate alternative minimum tax under Minnesota Statutes, section 290.0921, subdivision 3, estate tax under Minnesota Statutes, sections 291.005 and 291.03, the Minnesota working family credit under Minnesota Statutes, section 290.0671, subdivision 1, and the definition of income under Minnesota Statutes, section 290A.03, subdivision 3, shall become effective at the same time the changes become effective for federal purposes.

Sec. 24. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through December 31, 1996," for the words "Internal Revenue Code of 1986, as amended through April 15, 1995," wherever the phrase occurs in chapters 290A, 297, 298, and 469.

Sec. 25. [EFFECTIVE DATE.]

Sections 3 to 5, 7 to 20 and the provision of section 2 dealing with regulated investment companies are effective for tax years beginning after December 31, 1996. The remainder of this article is effective at the same time and for the same years as the federal changes made in 1996 were effective for federal purposes.

ARTICLE 10

INCOME TAX

Section 1. Minnesota Statutes 1996, section 290.01, subdivision 19c, is amended to read:

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

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes 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 windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code;~~

~~(5)~~ 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;

~~(6)~~ (5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

~~(7)~~ (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;

~~(8)~~ (7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

~~(9)~~ (8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

~~(10)~~ (9) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

~~(11)~~ (10) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

~~(12)~~ (11) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities; ~~and~~

~~(13)~~ (12) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g); and

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

Sec. 2. Minnesota Statutes 1996, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(11) the following percentage 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:

Taxable Year

Beginning After..... Percentage

December 31, 1988..... 50 percent

December 31, 1990..... 80 percent;

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

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

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

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

(16) the amount of any refund of environmental taxes paid under section 59(a) of the Internal Revenue Code.

Sec. 3. Minnesota Statutes 1996, section 290.06, is amended by adding a subdivision to read:

Subd. 25. [CREDIT FOR CONTRIBUTIONS TO HIGHER EDUCATION.] (a) Subject to the applicable limitations provided by this subdivision, individuals may take as a credit against the tax due under this chapter an amount equal to 30 percent of the aggregate amount of charitable contributions made during the taxable year to a nonprofit institution of higher education located within this state or a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of institutions of higher education located within this state. For individuals who elect to itemize deductions under section 63(e) of the Internal Revenue Code, the percentage used to calculate the credit is reduced to 21.5 percent.

(b) The maximum amount allowable as a credit under this subdivision in any taxable year shall not exceed $50 for an individual and $100 for a married couple filing jointly.

(c) If the amount of the credit determined under this subdivision for any taxable year exceeds the limitations imposed in this subdivision, the unused portion of the credit cannot be carried to another taxable year.

(d) For the purpose of this subdivision, "institution of higher education" means only a nonprofit educational institution located within this state that meets all of the following requirements:

(1) it maintains a regular faculty and curriculum and has a regularly enrolled body of students in attendance at the place where it carries on its educational activities;

(2) it regularly offers education above the 12th grade;

(3) it provides programs of study that meet the needs of students for occupational, general, baccalaureate, or graduate education; and

(4) it is recognized by the Minnesota higher education services office as an eligible institution of higher education for purposes of state financial aid under section 136A.101.

(e) For the purpose of this subdivision, "institution organized and operated exclusively for the benefit of institutions of higher education" means only nonprofit corporations, funds, foundations, trusts, or associations organized and operated exclusively for the benefit of institutions of higher education located within this state which are controlled or approved and reviewed by the governing board of the institution benefiting from the charitable contribution.

Sec. 4. [290.0621] [LOCAL GOVERNMENT REFERENDUM TAX.]

In addition to all other taxes imposed by this chapter, a tax is imposed on individuals who reside within the territory of a local unit of government other than a school district in which the voters approved a tax increase at a referendum conducted for that purpose in 1997 or a subsequent year. The tax is imposed as a percentage of the individual's tax liability under this chapter, at the rate approved by the voters in the referendum. This tax does not apply to referendums on bond issues. Individuals residing in the local unit of government on the last day of the taxable year are subject to the tax. A tax imposed under subdivision 1 shall be paid together with and subject to the same administration as other taxes imposed under this chapter. The revenues derived from the tax will be distributed by the commissioner of revenue to the local unit of government that imposed the tax.

Sec. 5. [290.0672] [JOB TRAINING PROGRAM CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] (a) A credit is allowed against the tax imposed by section 290.06, subdivision 1, equal to the sum of:

(1) placement fees paid to a job training program upon hiring a qualified graduate of the program; and

(2) retention fees paid to a job training program for retention of a qualified graduate of the program.

(b) The maximum placement fee qualifying for a credit under this section is $8,000 per qualified graduate in the year hired. The maximum retention fee qualifying for a credit under this section is $6,000 per qualified graduate retained as an employee per year. Only retention fees paid in the second and third years after the qualified graduate is hired qualify for the credit.

(c) A credit is allowed only up to the dollar amount of certificates, issued under subdivision 4, and provided by the job training program to the taxpayer.

Subd. 2. [QUALIFIED JOB TRAINING PROGRAM.] (a) To qualify for credits under this section, a job training program must satisfy the following requirements:

(1) It must be operated by a nonprofit corporation that qualifies under section 501(c)(3) of the Internal Revenue Code.

(2) The organization must spend at least $5,000 per graduate of the program.

(3) The program must provide education and training in:

(i) basic skills, such as reading, writing, mathematics, and communications;

(ii) thinking skills, such as reasoning, creative thinking, decision making, and problem solving; and

(iii) personal qualities, such as responsibility, self-esteem, self-management, honesty, and integrity.

(4) The program must provide income supplements, when needed, to participants for housing, counseling, tuition, and other basic needs.

(5) The education and training course must last for at least six months.

(6) Individuals served by the program must:

(i) be 18 years old or older;

(ii) have had federal adjusted gross income of no more than $10,000 per year in the last two years;

(iii) have assets of no more than $5,000, excluding the value of a homestead; and

(iv) not have been claimed as a dependent on the federal tax return of another person in the previous taxable year.

(7) The program must charge placement and retention fees that exceed the amount of credit certificates provided to the employer by at least ten percent of wages paid to graduates.

(b) The program must be certified by the commissioner of children, families, and learning as meeting the requirements of this subdivision.

Subd. 3. [QUALIFIED GRADUATE.] A qualified graduate is a graduate of a job training program qualifying under subdivision 1, who is placed in a job that is located in Minnesota and pays at least $9 per hour or its equivalent. To qualify for a credit under this section for a retention fee, the job in which the graduate is retained must pay at least $10 per hour. A business, other than the business that originally hired the graduate, may pay a retention fee for the graduate and qualify for the credit.

Subd. 4. [DUTIES OF PROGRAM.] (a) Each program certified by the commissioner under subdivision 2 must comply with the requirements of this subdivision.

(b) Each program must maintain records for each graduate for which the program provides a credit certificate to an employer. These records must include information sufficient to verify the graduate's eligibility under this section, identify the employer, describe the job including its compensation rate and benefits, and determine the amount of placement and retention fees received.

(c) Each program must report to the commissioner of revenue by January 1, 2001, on its use of the credit. The report must include, at least, information on:

(1) the number of graduates placed;

(2) demographic information on the graduates;

(3) the types of positions in which the graduates are placed, including compensation information;

(4) the tenure of graduates at the placed position or in other jobs;

(5) the amount of employer fees paid to the program; and

(6) the amount of money raised by the program from other sources.

(d) The commissioner shall compile and summarize this information and report to the legislature by February 15, 2001.

Subd. 5. [ISSUANCE OF CREDIT CERTIFICATES.] (a) The total amount of credits under this section is limited to $1,700,000 for taxable years beginning after December 31, 1996, and before January 1, 2002. The commissioner may issue under paragraph (b) no more than the specified amount of certificates for taxable years beginning during each calendar year:

1997	$200,000
1998	$400,000
1999	$600,000
2000	$340,000
2001	$160,000

Unused certificates for a taxable year carry over and may be used for a later taxable year, regardless of whether issued by the commissioner.

(b) Upon application, the commissioner of children, families, and learning shall issue certificates to job training programs, certified under subdivision 2, up to the dollar amount available for the taxable year. The certificates must be in a dollar amount that is no greater than the dollar amount applied for, and reflects the commissioner's estimate of the job training program's projected fees for placements and retentions of qualifying graduates. The commissioner shall issue the certificates in the order in which applications are received until the available authority has been issued.

(c) To the extent available, the job training program must provide to employers of its qualified graduates certificates issued by the commissioner of children, families, and learning under this subdivision.

Subd. 6. [NONREFUNDABLE; CARRYOVER.] (a) The credit for the taxable year may not exceed the liability for tax under section 290.06, subdivision 1, for the taxable year, reduced by the sum of nonrefundable credits allowed under this chapter.

(b) If the credit for a taxable year exceeds the limitation under paragraph (a), the excess is a carryover to each of the five succeeding taxable years. All of the carryover must be carried to the earliest of the taxable years to which it may be carried and then to each later year. The carryover may not exceed the taxpayer's tax under section 290.06, subdivision 1, for the taxable year after deducting the credit for the taxable year.

Subd. 7. [EXPIRATION.] This section expires effective for taxable years beginning after December 31, 2001.

Sec. 6. [290.0681] [LOW-INCOME HOUSING TAX CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A taxpayer is allowed a credit against the tax computed under section 290.06 for the taxable year equal to 1.7 percent of the applicable percentage of the qualified basis of each building located in Minnesota for which the taxpayer receives a credit under section 42 of the Internal Revenue Code.

Subd. 2. [FEDERAL LAW APPLICABLE.] For purposes of this section, the determination of:

(1) applicable percentage shall be made under section 42(b) of the Internal Revenue Code;

(2) qualified basis and qualified low-income building shall be made under section 42(c) of the Internal Revenue Code;

(3) eligible basis shall be made under section 42(d) of the Internal Revenue Code;

(4) qualified low-income housing project shall be made under section 42(g) of the Internal Revenue Code;

(5) recapture of credit shall be made under section 42(j) of the Internal Revenue Code, except that the tax for the taxable year shall be increased under section 42(j)(1) of the Internal Revenue Code, only with respect to credits that were used to reduce state income taxes; and

(6) application of at-risk rules shall be made under section 42(k) of the Internal Revenue Code.

As provided in section 42(e) of the Internal Revenue Code, rehabilitation expenditures will be treated as a separate new building and their treatment under this section will be the same as in section 42(e) of the Internal Revenue Code. The definitions and special rules relating to the credit period in section 42(f) of the Internal Revenue code and the definitions and special rules in section 42(i) of the Internal Revenue Code shall be applied for the purposes of this section.

The state housing credit ceiling under section 42(h) of the Internal Revenue Code shall be zero for the calendar year immediately following the expiration of the federal low-income housing tax credit program and for any calendar year thereafter, except for the carryover of any credit ceiling amount for certain projects in progress which, at the time of the federal expiration, meet the requirements of section 42 of the Internal Revenue Code.

Section 469 of the Internal Revenue Code, relating to passive activity losses and credits, shall be applied in claiming the credit under this section.

Subd. 3. [CARRYOVER; ELIGIBILITY.] A tax credit under this section which exceeds the taxpayer's liability computed under section 290.06 may be used as a credit against the taxpayer's liability under section 290.06 in subsequent years until exhausted. All claims for a tax credit under this section must be filed on or before the end of the 12th month following the close of the taxable year for which the credit may be claimed. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit. In order to claim a credit under this section, a taxpayer must claim a credit under section 42 of the Internal Revenue Code.

Subd. 4. [TRANSFER OF CREDITS.] All or any portion of tax credits granted under this section may be transferred, sold, or assigned to taxpayers who are eligible for the credit. An owner or transferee desiring to make a transfer, sale, or assignment shall submit to the commissioner a statement which describes the amount of credit for which the transfer, sale, or assignment of credit is eligible. The owner shall provide to the commissioner appropriate information so that the low-income housing tax credit can be properly allocated.

If recapture of low-income housing tax credits is required under subdivision 2, clause (5), any statement submitted to the commissioner as provided in this section shall include the proportion of the state credit required to be recaptured, the identity of each transferee subject to recapture, and the amount of credit previously transferred to the transferee.

Sec. 7. Minnesota Statutes 1996, section 290.191, subdivision 4, is amended to read:

Subd. 4. [APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.] If the business of a corporation, partnership, or proprietorship consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail ~~or~~, telephone, facsimile, or other electronic media, and 99 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with its 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. Property and payroll factors are disregarded. In determining eligibility for this subdivision:

(1) the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded; and

(2) property and payroll at a distribution center outside of Minnesota are disregarded if the sole activity at the distribution center is the filling of orders, and no solicitation of orders occurs at the distribution center.

Sec. 8. Laws 1995, chapter 255, article 3, section 2, subdivision 1, as amended by Laws 1996, chapter 464, article 4, section 1, is amended to read:

Subdivision 1. [URBAN REVITALIZATION AND STABILIZATION ZONES.] (a) By September 1, 1995, the metropolitan council shall designate one or more urban revitalization and stabilization zones in the metropolitan area, as defined in section 473.121, subdivision 2. The designated zones must contain no more than 1,000 single family homes in total. In designating urban revitalization and stabilization zones, the council shall choose areas that are in transition toward blight and poverty. The council shall use indicators that evidence increasing neighborhood distress such as declining residential property values, declining resident incomes, declining rates of owner-occupancy, and other indicators of blight and poverty in determining which areas are to be urban revitalization and stabilization zones.

(b) An urban revitalization and stabilization zone is created in the geographic area composed entirely of parcels that are in whole or in part located within the 1996 65Ldn contour surrounding the Minneapolis-St. Paul International Airport, or within one mile of the boundaries of the 1996 65Ldn contour. For residents of the zone created under this paragraph, eligibility for the program as provided in subdivision 2 is limited to persons buying and occupying a residence in the zone after June 1, 1996, who have entered into purchase agreements related to those homes before the day following final enactment of this law.

Sec. 9. [EFFECTIVE DATE.]

Sections 1, 2, 5, and 7 are effective for taxable years beginning after December 31, 1996.

Sections 3 and 4 are effective for taxable years beginning after December 31, 1997.

Section 6 is effective for taxable years beginning after December 31, 1997, and before January 1, 1999.

Section 8 is effective the day following final enactment.

ARTICLE 11

SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1996, section 296.141, subdivision 4, is amended to read:

Subd. 4. [CREDIT OR REFUND OF TAX PAID.] The commissioner shall allow the distributor credit or refund of the tax paid on gasoline and special fuel:

(1) exported or sold for export from the state, other than in the supply tank of a motor vehicle or of an aircraft;

(2) sold to the United States government to be used exclusively in performing its governmental

functions and activities or to any "cost plus a fixed fee" contractor employed by the United States government on any national defense project;

(3) if the fuel is placed in a tank used exclusively for residential heating;

(4) destroyed by accident while in the possession of the distributor;

(5) in error;

(6) in the case of gasoline only, sold for storage in an on-farm bulk storage tank, if the tax was not collected on the sale; and

~~(6)~~ (7) in such other cases as the commissioner may permit, not inconsistent with the provisions of this chapter and other laws relating to the gasoline and special fuel excise taxes.

Sec. 2. Minnesota Statutes 1996, section 296.18, subdivision 1, is amended to read:

Subdivision 1. [CLAIM; FUEL USED IN OTHER VEHICLES.] Any person who shall buy and use gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who shall have paid the Minnesota excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim in the form and manner prescribed by the commissioner, and containing the information the commissioner shall require. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this section for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel so purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of finance. No repayment shall be made unless the claim and invoice shall be filed with the commissioner within one year from the date of the purchase. The postmark on the envelope in which a written claim is mailed shall determine its date of filing. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code of 1986, as amended through December 31, 1988.

(2) Gasoline or special fuel used for off-highway business use. "Off-highway business use" means any use off the public highway by a person in that person's trade, business, or activity for the production of income. "Off-highway business use" includes:

(a) use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15~~.~~; and

(b) use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

"Off-highway business use" does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

By July 1, 1998, the commissioner shall adopt rules that determine the rates and percentages necessary to develop formulas for calculating and administering the refund under clause (2)(b).

Sec. 3. Minnesota Statutes 1996, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) 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;

(c) The furnishing, preparing, or serving for a consideration of food, meals, or drinks. "Sale" or "purchase" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served; or

(3) meals and lunches served at public and private schools, universities, or colleges.

Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) ~~heated~~ food or drinks~~;~~ prepared by the retailer for immediate consumption either on or off the retailer's premises. For purposes of this subdivision, "food or drinks prepared for immediate consumption" includes any food product upon which an act of preparation including, but not limited to, cooking, mixing, sandwich making, blending, heating, or pouring has been performed by the retailer so the food product may be immediately consumed by the purchaser. For purposes of this subdivision, "premises" means the total space and facilities, including buildings, grounds, and parking lots that are made available or that are available for use by the retailer or customer for the purpose of sale or consumption of prepared food and drinks. Food and drinks sold within a building or grounds which require an admission charge for entrance are presumed to be sold for consumption on the premises. The premises of a caterer is the place where the catered food or drinks are served;

~~(ii) sandwiches prepared by the retailer;~~

~~(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;~~

~~(iv) hand-prepared or dispensed ice cream or ice milk~~ (ii) ice cream, ice milk, or frozen yogurt products including novelties, cones, sundaes, and snow cones, sold in single or individual servings. For purposes of this subdivision, "single or individual servings" do not include products prepackaged and sold in bulk containers or packaging;

~~(v)~~ (iii) soft drinks and other beverages ~~prepared or served by the retailer;~~ including all carbonated and noncarbonated beverages or drinks sold in liquid form except beverages or drinks which contain a primary dairy product or dairy ingredient base, beverages or drinks containing 15 or more percent fruit juice, or noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

~~(vi)~~ (iv) gum~~;~~, candy, and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities primarily for young people 18 years of age and under;

~~(vii)~~ (v) ice;

~~(viii)~~ (vi) all food sold ~~in~~ from vending machines, pushcarts, lunch carts, motor vehicles, or any other form of vehicle except home delivery vehicles;

~~(ix)~~ (vii) party trays ~~prepared by the retailers~~; ~~and~~

~~(x)~~ (viii) all meals and single servings of packaged snack food~~, single cans or bottles of pop,~~ sold in restaurants and bars; and

(ix) bakery products, sold in single or individual servings. For purposes of this subdivision, "single or individual servings" do not include products prepackaged and sold in bulk containers or packaging.

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state. Furnishing of telephone service obtained by use of a prepaid calling card on which the tax was paid is not a taxable sale under this subdivision. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d) as amended through December 31, 1991, except for private communication service purchased by an agent acting on behalf of the state lottery. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(g) The furnishing for a consideration of cable television services, including charges for basic service, charges for premium service, and any other charges for any other pay-per-view, monthly, or similar television services;

(h) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(i) The furnishing for a consideration of services listed in this paragraph:

(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 and exterminating services;

(iv) detective services, security services, 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; 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) mixed municipal solid waste management services as described in section 297A.45;

(viii) 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

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

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph 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 this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, as amended through December 31, 1987, and who are eligible to file a consolidated tax return for federal income tax purposes;

(j) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(k) The granting of membership in a club, association, or other organization if:

(1) 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

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

Granting of membership includes both one-time 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. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, for educational and social activities for young people primarily age 18 and under.

Sec. 4. Minnesota Statutes 1996, section 297A.01, subdivision 4, is amended to read:

Subd. 4. (a) A "retail sale" or "sale at retail" means a sale for any purpose other than resale in the regular course of business.

(b) Property utilized by the owner only by leasing such property to others or by holding it in an effort to so lease it, and which is put to no use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale.

(c) Master computer software programs that are purchased and used to make copies for sale or lease are considered property purchased for resale.

(d) Sales of building materials, supplies and equipment to owners, contractors, subcontractors or builders for the erection of buildings or the alteration, repair or improvement of real property are "retail sales" or "sales at retail" in whatever quantity sold and whether or not for purpose of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or other similar floor covering which includes installation of the carpeting, linoleum, or other similar floor covering is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items that includes installation of the shrubbery, plants, sod, trees, and similar items is a contract for the improvement of real property.

(g) Aircraft and parts for the repair thereof purchased by a nonprofit, incorporated flying club or association utilized solely by the corporation by leasing such aircraft to shareholders of the corporation shall be considered property purchased for resale. The leasing of the aircraft to the shareholders by the flying club or association shall be considered a sale. Leasing of aircraft utilized by a lessee for the purpose of leasing to others, whether or not the lessee also utilizes the aircraft for flight instruction where no separate charge is made for aircraft rental or for charter service, shall be considered a purchase for resale; provided, however, that a proportionate share of the lease payment reflecting use for flight instruction or charter service is subject to tax pursuant to section 297A.14.

(h) Tangible personal property that is awarded as prizes shall not be considered property purchased for resale.

Sec. 5. Minnesota Statutes 1996, section 297A.01, subdivision 7, is amended to read:

Subd. 7. "Storage" and "use" do not include the keeping~~,~~ or retaining ~~or exercising of any right or power over~~ in a public warehouse of tangible personal property or tickets or admissions to places of amusement or athletic events when shipped or brought into Minnesota by common carrier, for the purpose of subsequently being transported outside Minnesota and thereafter used solely outside Minnesota, except in the course of interstate commerce~~, or for the purpose of being processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property to be transported outside Minnesota and not thereafter returned to a point within Minnesota, except in the course of interstate commerce~~.

Sec. 6. Minnesota Statutes 1996, section 297A.01, subdivision 11, is amended to read:

Subd. 11. "Tangible personal property" means corporeal personal property of any kind whatsoever, including property which is to become real property as a result of incorporation, attachment, or installation following its acquisition.

Personal property does not include:

(a) large ponderous machinery and equipment used in a business or production activity which at common law would be considered to be real property;

(b) property which is subject to an ad valorem property tax;

(c) property described in section 272.02, subdivision 1, clause (8), paragraphs (a) to (d);

(d) property described in section 272.03, subdivision 2, clauses (3) and (5).

Tangible personal property includes computer software, whether contained on tape, discs, cards, or other devices. Tangible personal property also includes prepaid telephone calling cards.

Sec. 7. Minnesota Statutes 1996, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, flowering or ornamental plants including nursery stock, forage, grains and bees and apiary products. "Farm machinery" includes:

(1) machinery for the preparation, seeding or cultivation of soil for growing agricultural crops, as defined in section 97A.028, and sod, harvesting and threshing of agricultural products, harvesting or mowing of sod, and certain machinery for dairy, livestock and poultry farms;

(2) barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2; and

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products.

Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material except fencing material covered by clause (5), communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers except those used in the production of sod for sale, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

Sec. 8. Minnesota Statutes 1996, section 297A.01, subdivision 16, is amended to read:

Subd. 16. [CAPITAL EQUIPMENT.] (a) Capital equipment means machinery and equipment purchased or leased for use in this state and used by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail and for electronically transmitting results retrieved by a customer of an on-line computerized data retrieval system.

(b) Capital equipment includes all machinery and equipment that is essential to the integrated production process. Capital equipment includes, but is not limited to:

(1) machinery and equipment used or required to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process; ~~or~~

(4) materials and supplies necessary to construct and install machinery or equipment.;

(5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;

(6) materials used for foundations that support machinery or equipment; or

(7) materials used to construct and install special purpose buildings used in the production process.

(c) Capital equipment does not include the following:

(1) ~~repair or replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications, and whether purchased before or after the machinery or equipment is placed into service. Parts or accessories are treated as capital equipment only to the extent that they are a part of and are essential to the operation of the machinery or equipment as initially purchased;~~

~~(2)~~ motor vehicles taxed under chapter 297B;

~~(3)~~ (2) machinery or equipment used to receive or store raw materials;

~~(4)~~ (3) building materials;

~~(5)~~ (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: machinery and equipment used for plant security, fire prevention, first aid, and hospital stations; machinery and equipment used in support operations or for administrative purposes; machinery and equipment used solely for pollution control, prevention, or abatement; and machinery and equipment used in plant cleaning, disposal of scrap and waste, plant communications, space heating, lighting, or safety;

~~(6)~~ (5) "farm machinery" as defined by subdivision 15, and "aquaculture production equipment" as defined by subdivision 19~~, and "replacement capital equipment" as defined by subdivision 20~~; or

~~(7)~~ (6) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Machinery" means mechanical, electronic, or electrical devices, including computers and software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through the completion of the product, including packaging of the product.

(4) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(5) "Mining" means the extraction of minerals, ores, stone, and peat.

(6) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(7) "Pollution control equipment" means machinery and equipment used to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(8) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(9) "Refining" means the process of converting a natural resource to a product, including the treatment of water to be sold at retail.

(e) For purposes of this subdivision the requirement that the machinery or equipment "must be used by the purchaser or lessee" means that the person who purchases or leases the machinery or equipment must be the one who uses it for the qualifying purpose. When a contractor buys and installs machinery or equipment as part of an improvement to real property, only the contractor is considered the purchaser.

~~(f) Notwithstanding prior provisions of this subdivision, machinery and equipment purchased or leased to replace machinery and equipment used in the mining or production of taconite shall qualify as capital equipment.~~

Sec. 9. Minnesota Statutes 1996, section 297A.09, is amended to read:

297A.09 [PRESUMPTION OF TAX; BURDEN OF PROOF.]

For the purpose of the proper administration of sections 297A.01 to 297A.44 and to prevent evasion of the tax, it shall be presumed that all gross receipts are subject to the tax until the contrary is established. The burden of proving that a sale is not a sale at retail is upon the person who makes the sale, but that person may take from the purchaser, at the time the exempt purchase occurs, an exemption certificate to the effect that the property purchased is for resale or that the sale is otherwise exempt from the application of the tax imposed by sections 297A.01 to 297A.44. A person asserting a claim that certain sales are exempt, who does not have the required exemption certificates in their possession, shall acquire the certificates within 60 days after receiving written notice from the commissioner that the certificates are required. If the certificates are not obtained within the 60-day period, the sales are deemed taxable sales under this chapter.

Sec. 10. Minnesota Statutes 1996, section 297A.15, subdivision 7, is amended to read:

Subd. 7. [REFUND; APPROPRIATION; ADULT AND JUVENILE CORRECTIONAL FACILITIES.] ~~(a)~~ If construction materials and supplies described in ~~paragraph (b)~~ section 297A.25, subdivision 63, are purchased by a contractor, subcontractor, or builder as part of a lump-sum contract or similar type of contract with a price covering both labor and materials for use in the project, a refund equal to ~~20 percent of~~ the taxes paid by the contractor, subcontractor, or builder must be paid to the governmental subdivision. The tax must be imposed and collected as if the sales were taxable and the rate under section 297A.02, subdivision 1, applied. An application for refund must be submitted by the governmental subdivision and must include sufficient information to permit the commissioner to verify the sales taxes paid for the project. The contractor, subcontractor, or builder must furnish to the governmental subdivision a statement of the cost of the construction materials and supplies and the sales taxes paid on them. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

~~(b) Construction materials and supplies qualify for the refund under this section if: (1) the materials and supplies are for use in a project to construct or improve an adult or juvenile correctional facility in a county, home rule charter city, or statutory city, and (2) the project is mandated by state or federal law, rule, or regulation. The refund applies regardless of whether the materials and supplies are purchased by the city or county, or by a contractor, subcontractor, or builder under a contract with the city or county.~~

Sec. 11. Minnesota Statutes 1996, section 297A.25, subdivision 2, is amended to read:

Subd. 2. [FOOD PRODUCTS.] The gross receipts from the sale of food products including but

not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products, and food products which are not taxable pursuant to section 297A.01, subdivision 3, clause (c) are exempt. ~~This exemption does not include the following:~~

~~(1) candy and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities for young people primarily aged 18 and under;~~

~~(2) carbonated beverages, beverages commonly referred to as soft drinks containing less than 15 percent fruit juice, or bottled water other than noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size.~~

Sec. 12. Minnesota Statutes 1996, section 297A.25, subdivision 7, is amended to read:

Subd. 7. [PETROLEUM PRODUCTS.] The gross receipts from the sale of and storage, use or consumption of the following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under the provisions of chapter 296, and no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products which are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24 or 473.384; ~~or~~

(4) products used in a passenger snowmobile, as defined in section 296.01, subdivision 27a, for off-highway business use as part of the operations of a resort as provided under section 296.18, subdivision 1, clause (2); or

(5) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b).

Sec. 13. Minnesota Statutes 1996, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Lola and Rudy Perpich Minnesota center for arts education, and school districts are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii).

Sales to veterans homes operated by the veterans homes board of directors or hospitals and nursing homes owned and operated by the state or any of its political subdivisions of the state are exempt under this subdivision.

The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloguing and circulation equipment, and cataloguing and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

Except as provided in subdivision 63, this exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

Sec. 14. Minnesota Statutes 1996, section 297A.25, subdivision 56, is amended to read:

Subd. 56. [FIREFIGHTERS PERSONAL PROTECTIVE EQUIPMENT.] The gross receipts from the sale of and storage, use, or consumption of firefighters personal protective equipment are exempt if purchased by, or if the purchase was authorized by, an organized fire department, fire protection district, or fire company, regularly charged with the responsibility of providing fire protection the state or a political subdivision. For purposes of this subdivision, "personal protective equipment" includes: 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 apparatuses, canister filter masks, personal alert safety systems, spanner belts, and all safety equipment required by the Occupational Safety and Health Administration.

Sec. 15. Minnesota Statutes 1996, section 297A.25, subdivision 59, is amended to read:

Subd. 59. [FARM MACHINERY.] ~~From July 1, 1994, until June 30, 1997,~~ The gross receipts from the sale of used farm machinery are exempt.

Sec. 16. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 62. [HOSPITALS.] The gross receipts from the sale of tangible personal property to, and the storage, use, or consumption of such property by, a hospital are exempt, if the property purchased is to be used for the hospitalization of human beings. For purposes of this subdivision, "hospital" means a hospital licensed under chapter 144 or a hospital licensed by any other jurisdiction. This exemption does not apply to purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital, even though the clinic, office, or facility may be owned and operated by a hospital. Sales exempted by this subdivision do not include sales under section 297A.01, subdivision 3, paragraphs (c), (e), and (i), clause (vii). This exemption does not apply to building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital. This exemption does not apply to construction materials to be used in constructing buildings or facilities which will not be used principally by a hospital. This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 17. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 63. [CONSTRUCTION MATERIALS FOR CORRECTIONAL FACILITIES.] The gross receipts from the sale of and storage, use, or consumption of construction materials and supplies are exempt from the tax imposed under this chapter if purchased for use in a project to construct or improve an adult or juvenile correctional facility in a county, home rule charter city, or statutory city, and if the project is mandated by state or federal law, rule, or regulation. The exemption applies regardless of whether the materials and supplies are purchased by the city or county, or by a contractor, subcontractor, or builder under a contract with the city or county.

Sec. 18. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 64. [CONSTRUCTION MATERIALS; LAKE SUPERIOR CENTER.] Construction materials and supplies are exempt from the tax imposed under this chapter, regardless of whether purchased by the owner, a contractor, or builder, provided the materials and supplies are used or consumed in constructing the Lake Superior Center.

Sec. 19. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 65. [CONSTRUCTION MATERIALS; SCIENCE MUSEUM.] Construction materials and supplies are exempt from the tax imposed under this chapter, regardless of whether purchased by the owner, a contractor, or builder, provided the materials and supplies are used or consumed in constructing the Science Museum of Minnesota.

Sec. 20. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 66. [CONSTRUCTION MATERIALS; BUSINESS INCUBATOR AND INDUSTRIAL PARK FACILITY.] Materials, equipment, and supplies used or consumed in constructing, or incorporated into the construction of, an exempted facility as defined in this subdivision are exempt from the taxes imposed under this chapter and from any sales and use tax imposed by a local unit of government, notwithstanding any ordinance or city charter provision.

As used in this subdivision, an "exempted facility" is a facility that includes a business incubator and industrial park that:

(1) is owned and operated by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code;

(2) is used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development and job creation in the area served by the organization, and emphasizes development of businesses that manufacture products from materials found in the waste stream, or manufacture alternative energy and conservation systems, or make use of emerging environmental technologies;

(3) includes in its structure systems of material and energy exchanges that use waste products from one industrial process as sources of energy and material for other processes; and

(4) makes use of solar and wind energy technology and incorporates salvaged materials in its construction.

Sec. 21. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 67. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; PRODUCTS AND SERVICES.] The gross receipts from the sale of products and services including 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 473.891 to 473.905, are exempt. For purposes of this subdivision, backbone system is defined in section 473.891, subdivision 9.

Sec. 22. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 68. [ALFALFA PROCESSING FACILITIES CONSTRUCTION MATERIALS.] Purchases of construction materials and supplies are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if:

(1) the materials and supplies are used or consumed in constructing a facility which either (i) develops market-value agricultural products made from alfalfa leaf material, or (ii) produces biomass energy fuel for electricity from alfalfa stems in accordance with the biomass mandate imposed under section 216B.2424; and

(2) the total capital investment made in the value-added agricultural products and biomass electric generation facilities is at least $50,000,000; or

(3) the materials and supplies are used or consumed in constructing, equipping or modifying a district heating and cooling system cogeneration facility that:

(i) utilizes wood waste as a primary fuel source; and

(ii) satisfies the requirements of the biomass mandate in section 216B.2424, subdivision 5.

Sec. 23. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 69. [PHOTOVOLTAIC DEVICES.] The gross receipts from the sale of photovoltaic devices, as defined in section 216C.06, subdivision 13, and the materials used to install, construct, repair, or replace them are exempt if the devices are used as an electric power source.

Sec. 24. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 70. [WIND ENERGY CONVERSION SYSTEMS.] The gross receipts from the sale of wind energy conversion systems, as defined in section 216C.06, subdivision 12, and the materials used to manufacture, install, construct, repair, or replace them are exempt if the systems are used as an electric power source.

Sec. 25. Minnesota Statutes 1996, section 297B.01, subdivision 7, is amended to read:

Subd. 7. [SALE, SELLS, SELLING, PURCHASE, PURCHASED, OR ACQUIRED.] "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business. Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale. The terms also shall include any transfer of title or ownership of a motor vehicle by way of gift or by any other manner or by any other means whatsoever, for or without consideration, except that these terms shall not include:

(a) the acquisition of a motor vehicle by inheritance from or by bequest of, a decedent who owned it;

(b) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(c) the transfer of a motor vehicle by way of gift between a husband and wife or parent and child; ~~or~~

(d) the voluntary or involuntary transfer of a motor vehicle between a husband and wife in a divorce proceeding~~.~~; or

(e) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code, as amended through December 31, 1996, when the motor vehicle will be used exclusively (1) for religious, charitable, scientific, public safety testing, literary, or educational purposes; (2) to foster national or international amateur sports competition; or (3) for the prevention of cruelty to children or animals.

Sec. 26. Minnesota Statutes 1996, section 297B.01, subdivision 8, is amended to read:

Subd. 8. [PURCHASE PRICE.] "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise. The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle handicapped accessible. The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between a husband and wife or parent and child, or to a nonprofit organization as provided under section 297B.01, paragraph (e), nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor. There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

The term "purchase price" shall not include the transfer of a motor vehicle as a gift between a

foster parent and foster child. For purposes of this subdivision, a foster relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as a foster family home under Minnesota Rules, parts 9545.0010 to 9545.0260, and (2) the county verifies that the child was a state ward or in permanent foster care.

Sec. 27. Minnesota Statutes 1996, section 297E.04, subdivision 3, is amended to read:

Subd. 3. [PADDLETICKET CARD MASTER FLARES.] Each sealed grouping of 100 or fewer paddleticket cards must have its own individual master flare. The manufacturer of the paddleticket cards must affix to or imprint at the bottom of each master flare a bar code that provides:

(1) the name of the manufacturer;

(2) the first paddleticket card number in the group;

(3) the number of paddletickets attached to each paddleticket card in the group; and

(4) all other information required by the commissioner. ~~This subdivision applies to paddleticket cards (i) sold by a manufacturer after June 30, 1995, for use or resale in Minnesota or (ii) shipped into or caused to be shipped into Minnesota by a manufacturer after June 30, 1995. Paddleticket cards that are subject to this subdivision may not have a registration stamp affixed to the master flare.~~

Sec. 28. Minnesota Statutes 1996, section 349.12, subdivision 26a, is amended to read:

Subd. 26a. [MASTER FLARE.] "Master flare" is the posted display, with registration stamp affixed or bar code imprinted or affixed, that is used in conjunction with sealed groupings of 100 or fewer sequentially numbered paddleticket cards.

Sec. 29. Minnesota Statutes 1996, section 349.163, subdivision 8, is amended to read:

Subd. 8. [PADDLETICKET CARD MASTER FLARES.] Each sealed grouping of 100 or fewer paddleticket cards must have its own individual master flare. The manufacturer must affix to or imprint at the bottom of the master flare a bar code that provides all information required by the commissioner of revenue under section 297E.04, subdivision 3.

~~This subdivision applies to paddleticket cards sold by a manufacturer after June 30, 1995, for use or resale in Minnesota or shipped into or caused to be shipped into Minnesota by a manufacturer after June 30, 1995. Paddleticket cards which are subject to this subdivision shall not have a registration stamp affixed to the master flare.~~

Sec. 30. Laws 1993, chapter 375, article 9, section 45, subdivision 2, is amended to read:

Subd. 2. [USE OF REVENUES.] (a) Revenues received from taxes authorized by subdivision 1 shall be used by Cook county to pay the cost of collecting the tax and to pay all or a portion of the costs of expanding and improving the health care facility located in the county and known as North Shore hospital. Authorized costs include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the expansion and improvement of North Shore hospital. The total capital expenditures payable from bond proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not exceed $4,000,000.

(b) Additional revenues received from taxes authorized by subdivision 1 may be used by Cook county to pay all or a portion of the costs of remodeling North Shore care center and providing additional improvements to North Shore hospital. Authorized costs include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the remodeling of North Shore care center and additional improvements to North Shore hospital. The total capital expenditures payable from bond proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not exceed $2,200,000.

Sec. 31. Laws 1993, chapter 375, article 9, section 45, subdivision 3, is amended to read:

Subd. 3. [EXPIRATION OF TAXING AUTHORITY AND EXPENDITURE LIMITATION.] The authority granted by subdivision 1 to Cook county to impose a sales tax shall expire when the principal and interest on any bonds or obligations issued under subdivision 4, paragraph (a), to finance the expansion and improvement of North Shore hospital described in subdivision 2, paragraph (a), have been paid, or at an earlier time as the county shall, by resolution, determine. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the county.

Sec. 32. Laws 1993, chapter 375, article 9, section 45, subdivision 4, is amended to read:

Subd. 4. [BONDS.] (a) Cook county may issue general obligation bonds in an amount not to exceed $4,000,000 for the expansion and improvement of North Shore hospital~~,~~.

(b) Additionally, Cook county may issue general obligation bonds in an amount not to exceed $2,200,000 for the remodeling of North Shore care center and additional improvements to North Shore hospital.

(c) The bonds may be issued without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a property tax to pay them. The debt represented by the bonds ~~issued for the expansion and improvement of North Shore hospital~~ shall not be included in computing any debt limitations applicable to Cook county, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the county.

Sec. 33. Laws 1993, chapter 375, article 9, section 45, is amended by adding a subdivision to read:

Subd. 5a. [REFERENDUM.] If the governing body of Cook county intends to use the sales tax proceeds as authorized by subdivision 2, paragraph (b), it shall conduct a referendum on the issue. The question of so using the tax proceeds must be submitted to the voters at a special or general election. The tax proceeds may not be used as provided in subdivision 2, paragraph (b), unless a majority of votes cast on the question are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1997.

Sec. 34. [CITY OF WILLMAR; TAXES.]

Subdivision 1. [SALES TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 1996, the city of Willmar may, by ordinance, impose, for the purposes specified in subdivision 4, an additional sales tax of up to one-half of one percent on sales transactions taxable under Minnesota Statutes, chapter 297A, that occur within the city except for sales of major farm equipment, and may also, by ordinance, impose an additional compensating use tax of up to one-half of one percent on uses of property within the city, the sale of which would be subject to the additional sales tax but for the fact that the property was sold outside the city, provided that the use tax will not apply to use of any item of tangible personal property that has a sales price of less than $1,000.

Subd. 2. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF TAXES.] (a) The city may provide for collection and enforcement of the taxes by ordinance or the city may enter into an agreement with the commissioner of revenue, providing for collection of the tax.

(b) If the city enters an agreement with the commissioner of revenue for collection of the tax, the sales tax imposed under this section must be reported and paid to the commissioner of revenue with the state sales taxes, and be subject to the same penalties, interest, and enforcement provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of collection, shall be remitted at least quarterly to the city. The commissioner shall deduct from the proceeds remitted an amount that equals the direct and indirect department costs necessary to administer, audit, and collect the tax. The amount deducted shall be deposited in the general fund.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivision 1 must be used to pay the costs of collecting the taxes, and to pay all or a part of the capital and administrative costs of the acquisition, construction, improvement, and maintenance of public library facilities, including securing or paying debt service on bonds issued for the project under subdivision 6. The total capital and administrative expenditures payable from bond proceeds and revenues received from the taxes authorized by subdivisions 1 and 2, excluding investment earnings thereon, must not exceed $4,500,000

Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for the acquisition, construction, improvement, and maintenance of public library facilities and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 6. 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.

Subd. 5. [BONDS.] The city of Willmar, pursuant to the approval of the city voters at the general election held on November 5, 1996, may issue without additional election general obligation bonds of the city in an amount not to exceed $4,500,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and maintenance of public library facilities. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds must not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Willmar with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. [CITY OF ST. PAUL; USE OF SALES TAX REVENUES.]

The revenue derived from the sales tax imposed by the city of St. Paul under Laws 1993, chapter 375, article 9, section 46, that is distributed to the city's cultural STAR program must be awarded through a grant review process as provided in this section. Eighty percent of the revenue must be annually awarded to nonprofit arts organizations, libraries, and museums that are located in the designated cultural district of downtown St. Paul, and the remaining 20 percent may be awarded to businesses in the cultural district for projects which enhance visitor enjoyment of the district, or to nonprofit arts organizations, libraries, and museums located in St. Paul but outside of the cultural district. Grants may be used for capital improvements. These restrictions apply to all STAR cultural funds collected after June 30, 1997.

Sec. 36. [APPLICATION.]

Section 21 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 37. [REPEALER.]

Minnesota Statutes 1996, sections 297A.01, subdivision 20; and 297A.02, subdivision 5, are repealed.

Sec. 38. [EFFECTIVE DATE.]

Section 1 is effective for gasoline or special fuel purchased after July 1, 1997.

Section 2 is effective July 1, 1997, or upon adoption of the corresponding rules, whichever is earlier.

Section 3, paragraph (i), item (iv), is effective retroactively to apply to services provided after September 30, 1987.

The remainder of section 3 and sections 7 to 9, 11, 12, 14, 15, and 20 are effective for sales and purchases occurring after June 30, 1997.

Section 4, paragraph (i), is effective for sales and purchases made after June 30, 1997.

Sections 3, paragraph (f), 5, and 6 are effective July 1, 1997.

Sections 10 and 17 are effective for sales after August 31, 1996.

Sections 13 and 16 are effective for purchases after December 31, 1995.

Section 18 is effective for construction materials and supplies purchased after January 1, 1997.

Section 19 is effective for construction materials and supplies purchased after April 30, 1997.

Section 21 is effective for sales made after July 31, 1997, and before August 1, 2003.

Sections 22 to 24 are effective for sales after May 31, 1997.

Sections 25 and 26 are effective for transfers of motor vehicles after June 30, 1997.

Sections 27 to 29 are effective for sales of paddleticket cards by a manufacturer after June 30, 1997.

Sections 30 to 33 are effective the day after compliance by the governing body of Cook county with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 12

WASTE MANAGEMENT TAXES

Section 1. Minnesota Statutes 1996, section 115A.554, is amended to read:

115A.554 [AUTHORITY OF SANITARY DISTRICTS.]

A sanitary district has the authorities and duties of counties within the district's boundary for purposes of sections 115A.0716; 115A.46, subdivisions 4 and 5; 115A.48; 115A.551; 115A.552; 115A.553; 115A.919; 115A.929; 115A.93; 115A.96, subdivision 6; 115A.961; 116.072; 375.18, subdivision 14; 400.08~~, except subdivision 4, paragraph (b)~~; 400.16; and 400.161.

Sec. 2. Minnesota Statutes 1996, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, "Minnesota tax laws" means the taxes administered by or paid to the commissioner under chapters 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, ~~and~~ 297A, and 297F and sections 295.50 to 295.59, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes.

Sec. 3. Minnesota Statutes 1996, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) 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;

(c) The furnishing, preparing, or serving for a consideration of food, meals, or drinks. "Sale" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served; or

(3) meals and lunches served at public and private schools, universities, or colleges.

Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

(v) soft drinks and other beverages prepared or served by the retailer;

(vi) gum;

(vii) ice;

(viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d), except for private communication service purchased by an agent acting on behalf of the state lottery. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(g) The furnishing for a consideration of cable television services, including charges for basic service, charges for premium service, and any other charges for any other pay-per-view, monthly, or similar television services;

(h) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(i) The furnishing for a consideration of services listed in this paragraph:

(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 and exterminating services;

(iv) detective services, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(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; tree, bush, shrub and stump removal; 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) ~~mixed municipal solid waste management services as described in section 297A.45;~~

~~(viii)~~ 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

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

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph 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 this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(j) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(k) The granting of membership in a club, association, or other organization if:

(1) 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

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

Granting of membership includes both one-time 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. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, for educational and social activities for young people primarily age 18 and under.

Sec. 4. Minnesota Statutes 1996, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Lola and Rudy Perpich Minnesota center for arts education, and school districts are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f)~~, but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii)~~.

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloguing and circulation equipment, and cataloguing and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction

materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

Sec. 5. Minnesota Statutes 1996, section 297A.25, subdivision 16, is amended to read:

Subd. 16. [SALES TO NONPROFIT GROUPS.] The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the property purchased is to be used in the performance of charitable, religious, or educational functions, or any senior citizen group or association of groups that in general limits membership to persons who are either (1) age 55 or older, or (2) physically disabled, and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders, are exempt. For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization. Sales exempted by this subdivision include sales pursuant to section 297A.01, subdivision 3, paragraphs (d) and (f)~~, but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii)~~. This exemption shall not apply to building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities. This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 6. Minnesota Statutes 1996, section 297A.44, subdivision 1, is amended to read:

Subdivision 1. (a) Except as provided in paragraphs (b)~~,~~ and (c), ~~and (d),~~ all revenues, including interest and penalties, derived from the excise and use taxes imposed by sections 297A.01 to 297A.44 shall be deposited by the commissioner in the state treasury and credited to the general fund.

(b) All excise and use taxes derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project, from and after the date on which a conditional commitment for a loan guaranty for the project is made pursuant to section 41A.04, subdivision 3, shall be deposited in the Minnesota agricultural and economic account in the special revenue fund. The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account shall 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) All revenues, including interest and penalties, derived from the excise and use taxes imposed on sales and purchases included in section 297A.01, subdivision 3, paragraphs (d) and (l), clauses (1) and (2), must be deposited by the commissioner in the state treasury, and credited 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 must be credited to the general fund.

~~(d) The revenues, including interest and penalties, derived from the taxes imposed on solid waste collection services as described in section 297A.45, shall be deposited by the commissioner in the state treasury and credited to the general fund to be used for funding solid waste reduction and recycling programs.~~

Sec. 7. [297F.01] [SOLID WASTE MANAGEMENT TAX DEFINITIONS.]

Subdivision 1. [SCOPE.] When used in this chapter, the following terms have the meanings given to them in this section. For terms not defined in this section, the terms defined in section 115A.03 have the meanings given them.

Subd. 2. [COMMERCIAL GENERATOR.] "Commercial generator" means any of the following:

(1) an owner or operator of a business, including a home-operated business, industry, church, nursing home, nonprofit organization, school, or any other commercial or institutional enterprise that generates mixed municipal solid waste; or or non-mixed municipal solid waste;

(2) an owner of a building or site containing multiple residences that generates mixed municipal solid waste or nonmixed municipal solid waste, including apartment buildings, condominiums, or townhomes where no residence has separate trash pickup and no residence is separately billed for such service by the waste service provider, but excluding manufactured home parks; or

(3) any other generator of taxable waste that is not a residential generator defined in subdivision 7.

Subd. 3. [CUBIC YARD.] "Cubic yard" means a cubic yard of non-mixed municipal solid waste that is not compacted.

Subd. 4. [MIXED MUNICIPAL SOLID WASTE.] "Mixed municipal solid waste" means mixed municipal solid waste as defined in section 115A.03, subdivision 21.

Subd. 5. [NON-MIXED MUNICIPAL SOLID WASTE.] "Non-mixed municipal solid waste" means:

(1) infectious waste as defined in section 116.76, subdivision 12;

(2) pathological waste as defined in section 116.76, subdivision 14;

(3) industrial waste as defined in section 115A.03, subdivision 13a; and

(4) construction debris as defined in section 115A.03, subdivision 7.

Subd. 6. [PERIODIC WASTE COLLECTION.] "Periodic waste collection" means each time a waste container is emptied by the person that collects the non-mixed municipal solid waste at the point that the waste has been aggregated for collection by the generator.

Subd. 7. [RESIDENTIAL GENERATOR.] "Residential generator" means any of the following:

(1) a detached single family residence that generates mixed municipal solid waste or non-mixed municipal solid waste;

(2) a person residing in a manufactured home park that generates mixed municipal solid waste or non-mixed municipal solid waste;

(3) a person residing in a building or site containing multiple residences that generates mixed

municipal solid waste, including apartment buildings, condominiums, or townhomes, where each residence either: (i) is separately billed by the waste service provider; or (ii) has separate waste collection for each residence, even if the residence pays to the owner or an association a monthly maintenance fee that includes the expense of waste collection, and the owner or association pays the waste service provider for waste collection in one lump sum;

(4) a person residing in a building or site containing multiple residences that generate mixed municipal solid waste, including apartment buildings, condominiums, or townhomes, where each residence is provided solid waste management services by a political subdivision with a population greater than 300,000 engaged in organized collection of mixed municipal solid waste.

Subd. 8. [SELF-HAULER.] "Self-hauler" means a person who generates and transports mixed municipal solid waste or non-mixed municipal solid waste generated by that person or another person without compensation.

Subd. 9. [WASTE MANAGEMENT SERVICE PROVIDER.] "Waste management service provider" means the person who directly bills the generator for waste management services.

Subd. 10. [WASTE MANAGEMENT SERVICES.] "Waste management services" means waste collection, transportation, processing, and disposal.

Sec. 8. [297F.02] [RESIDENTIAL GENERATORS.]

Subdivision 1. [IMPOSITION.] (a) A tax is imposed upon each residential generator for mixed municipal solid waste management services received.

(b) The tax is imposed upon the political subdivision in those cases where the waste management service provider provides waste management services without charge to a residential generator and there is no other mechanism for collecting the tax from the waste generator. The political subdivision shall either pay at the rate provided in subdivision 2 per residential generator or pay as a commercial generator at the rate provided in section 297F.03, subdivision 2.

(c) The tax is imposed on the person that is billed for the waste management services at buildings or sites that contain multiple residences where the residences are not separately billed for waste management services but have separate waste pick up, and the tax is imposed on the person that is billed for the waste management services at manufactured home parks where residences are not separately billed for waste management services.

(d) The tax is imposed on the person that is billed for the waste management services at buildings or sites that contain multiple residences where solid waste management services are provided by a political subdivision with a population greater than 300,000 engaged in organized collection of mixed municipal solid waste. The tax is imposed per each residence that is billed for services for each calendar month, whether or not occupied.

Subd. 2. [RATES.] Except as provided in subdivision 3 and in section 297F.05, the amount of the tax for each residential generator is $1.17 each calendar month. Each waste management service provider shall collect the tax from each residential generator who receives mixed municipal solid waste management services, based on the provider’s normal billing cycle.

Subd. 3. [USE OF COLLECTION BAGS AND STICKERS.] When the sale price of a bag, sticker, or other indicia includes mixed municipal solid waste management services, the solid waste management tax on the bags, stickers, and indicia sold by vendors on behalf of a political subdivision or waste hauler, shall be collected when the bag, sticker, or other indicia are sold to the vendor by the political subdivision or waste hauler, and shall be:

(1) determined by a method developed by the waste collector or political subdivision and approved by the commissioner of revenue, which yields the equivalent of approximately $1.17 per calendar month per residential generator; or

(2) equal to $0.21 for each unit of 35 gallons or less.

The solid waste management service and tax under this subdivision shall be included in the price of the bag, sticker, or other indicia.

Sec. 9. [297F.03] [MIXED MUNICIPAL SOLID WASTE COMMERCIAL GENERATORS.]

Subdivision 1. [IMPOSITION.] A tax is imposed upon commercial generators for mixed municipal solid waste management services.

Subd. 2. [RATE.] (a) The rate of the tax for mixed municipal solid waste commercial generators is 17 percent of the sale price of waste management services paid by the generators.

(b) For political subdivisions described under section 297F.02, subdivision 1, paragraph (b), where the political subdivision chooses to pay as a commercial generator, the price of the waste management service shall equal the market price of the waste management service.

Sec. 10. [297F.04] [NON-MIXED MUNICIPAL SOLID WASTE.]

Subdivision 1. [IMPOSITION.] A tax is imposed upon non-mixed municipal solid waste generators on the waste management of non-mixed municipal solid waste.

Subd. 2. [RATE.] (a) Commercial generators that generate non-mixed municipal solid waste shall pay a solid waste management tax of 60 cents per cubic yard of periodic waste collection capacity purchased by the generator, based on the size of the container for the non-mixed municipal solid waste, the actual volume, or the weight-to-volume conversion schedule in paragraph (c). However, the tax must be calculated by the waste management service provider using the same method for calculating the waste management service fee so that both are calculated according to container capacity, actual volume, or weight.

(b) Notwithstanding section 297F.02, a residential generator that generates non-mixed municipal solid waste shall pay a solid waste management tax in the same manner as provided in paragraph (a).

(c) The weight-to-volume conversion schedule for:

(1) construction debris as defined in section 115A.03, subdivision 7, is $2 per ton or 60 cents per cubic yard;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is 46 cents per ton or 60 cents per cubic yard; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological wastes as defined in section 116.76, subdivision 14, is 60 cents per 150 pounds or 60 cents per cubic yard.

Sec. 11. [297F.05] [SELF-HAULERS.]

(a) A self-hauler of mixed municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297F.03.

(b) A self-hauler of non-mixed municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297F.04.

(c) The tax imposed on the self-hauler of non-mixed municipal solid waste may be based either on the capacity of the container, the actual volume, or the weight-to-volume conversion schedule in paragraph (d). However, the tax must be calculated by the operator using the same method for calculating the tipping fee so that both are calculated according to container capacity, actual volume, or weight.

(d) The weight-to-volume conversion schedule for:

(1) construction debris as defined in section 115A.03, subdivision 7, is $2 per ton; and

(2) for industrial waste as defined in section 115A.03, subdivision 13a, is 46 cents per ton, 60 cents per 150 pounds, or 60 cents per cubic yard.

Sec. 12. [297F.06] [EXEMPTIONS.]

Subdivision 1. [CERTAIN SURCHARGES OR FEES.] The amount shown on a property tax statement as a county charge for solid waste services or the amount of a surcharge, fee, or charge established pursuant to section 115A.919, 115A.921, 115A.923, 400.08, subdivision 3, 473.811, subdivision 3a, or 473.843 is exempt from the solid waste management tax. This exemption does not apply when a political subdivision provides service at no charge to the generator and there is no other mechanism under which to bill the generator for the tax. In these cases, the political subdivision is responsible for paying tax for the generators based on the market price of the services provided.

Subd. 2. [MATERIALS.] The tax is not imposed upon generators for management services to manage the following materials:

(1) mixed municipal solid waste and non-mixed municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized;

(3) recyclable non-mixed municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) the recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) through December 31, 2002, source-separated compostable waste, if the waste is delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the pollution control agency. The first time a facility applies to the agency, it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. For each subsequent calendar year, by October 1 of the preceding year, the facility must apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

(i) generators separate materials at the source;

(ii) the separation is performed in a manner appropriate to the technology specific to the facility that:

(A) maximizes the quality of the product;

(B) minimizes the toxicity and quantity of residuals; and

(C) provides an opportunity for significant improvement in the environmental efficiency of the operation;

(iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;

(iv) process residuals do not exceed 15 percent of the weight of the total material delivered to the facility; and

(v) the final product is accepted for use; and

(8) waste and waste by-products for which the tax has been paid.

Sec. 13. [297F.07] [PAYMENT.]

(a) The waste management service provider shall report the tax on a return prescribed by the commissioner of revenue, and shall remit the tax with the return. The return and the tax must be filed following the period the tax is billed to the generator. The waste management service provider shall use the filing cycle and due dates provided for taxes imposed under chapter 297A.

(b) The waste hauler or political subdivision that sells bags, stickers, or other indicia to vendors must report and remit the tax imposed by section 297F.02, subdivision 3, on a return prescribed by the commissioner of revenue, and shall remit the tax with the return. The return and the tax must be filed following the period the bag is sold to the vendor. The waste management service provider shall use the filing cycle provided for taxes imposed under chapter 297A.

(c) Any partial payments received by waste management service providers for waste management services shall be prorated between the tax imposed under section 297F.03 or 297F.04 and the service. On partial payments received for waste management services where the tax is imposed at $1.17 per month under section 297F.02, the tax shall be deemed received by the waste management service provider to the extent the amount collected equals $1.17 or more.

Sec. 14. [297F.08] [ADMINISTRATION AND ENFORCEMENT.]

The audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal, and administrative provisions of chapters 270 and 289A that are applicable to taxes imposed under chapter 297A apply to this chapter.

Sec. 15. [297F.09] [REQUIREMENT AND POTENTIAL LIABILITY OF WASTE MANAGEMENT SERVICE PROVIDERS.]

Waste management service providers are required to:

(1) separately and accurately state the amount of the tax in the appropriate statement of charges for waste management services, or other statement if there are no charges for waste management services, and in any action to enforce payment on delinquent accounts;

(2) accurately account for and remit tax received; and

(3) work with the commissioner of revenue to ensure that generators pay the tax.

Sec. 16. [297F.10] [INFORMATION REGARDING THE SOLID WASTE MANAGEMENT TAX.]

The director of the office of environmental assistance, after consulting with the commissioner of revenue, the commissioner of the pollution control agency, and waste management service providers, shall develop information regarding the solid waste tax for distribution to waste generators in the state. The information shall include facts about the substitution of the solid waste tax for the sales tax on solid waste services and the solid waste generator assessment and the purposes for which revenue from the tax will be spent.

Sec. 17. [297F.11] [DEPOSIT OF REVENUES; FUNDING SHORTFALLS.]

(a) $22,000,000, or 50 percent, whichever is greater, of the amounts remitted under this chapter must be deposited in the state treasury and credited to the solid waste fund established in section 115B.42.

(b) The remainder must be deposited into the general fund.

(c) If less than $22,000,000 is projected to be available for new encumbrances in any fiscal year after fiscal year 1999 from all existing dedicated revenue sources for landfill cleanup and reimbursement costs under section 115B.39 to 115B.46, by October 1 before the next fiscal year in which the shortfall is projected, the commissioner of the agency shall certify to the commissioner of revenue the amount of the shortfall, and notify persons required to collect and remit the tax. To provide for the shortfall, the commissioner of revenue shall increase the tax under sections 297F.03 and 297F.04 proportionally for both mixed municipal solid waste and nonmixed municipal solid waste, by an amount sufficient to generate revenue equal to the amount of the shortfall effective the following January 1 and shall provide notice of the increased assessment by November 1 following certification to persons who are required to collect and remit the tax under this chapter.

The commissioner of revenue shall report to the chairs of the house and senate environment and natural resources committees; the house environment and natural resources finance division; the senate environment and agriculture budget division; the house tax committee and the senate taxes committee; the commissioner of the pollution control agency; and the director of the office environmental assistance on the total tax revenues, including interest and penalties, collected from the taxes imposed under this chapter. The reports shall be made as follows:

(1) a report by May 31, 1998, based upon the revenues collected from January 1, 1998, through April 30, 1998;

(2) a report by September 30, 1998, based upon the revenues collected from May 1, 1998, through August 31, 1998; and

(3) A report by January 31, 1999, based upon the revenues collected from September 1, 1998, through December 31, 1998.

Sec. 18. [297F.12] [BAD DEBTS.]

The remitter of the solid waste tax may offset against the tax payable, with respect to any reporting period, the amount of tax imposed by this chapter previously remitted to the commissioner of revenue which qualified as a bad debt under section 166(a) of the Internal Revenue Code, as amended through December 31, 1993, during such reporting period, but only in proportion to the portion of such debt which became uncollectable.

Sec. 19. [297F.13] [PENALTY FOR USING GENERAL RATE SALES LINE.]

If the form prescribed by the commissioner of revenue for remitting the tax is the sales tax return, then the penalty in this section applies. A penalty is imposed for remitting the solid waste tax using the general rate sales line on the sales tax return. The penalty is ten percent of the tax the first time and 20 percent for the second and subsequent times.

Sec. 20. [458D.111] [COLLECTION OF SOLID WASTE MANAGEMENT SERVICE CHARGES.]

Subdivision 1. [AUTHORITY.] The board shall have the powers of a county as specified in section 400.08.

Subd. 2. [METHOD OF COLLECTING CERTAIN SERVICE CHARGES.] The board shall determine the method of collecting service charges in a service area by resolution.

Subd. 3. [SERVICE CHARGES ON REAL ESTATE INCLUDING EXEMPT PROPERTY.]

In addition to any methods provided in section 400.08, the board may assess and collect service charges as follows. On or before October 15 of each year, the board shall certify to each county auditor an itemized list of solid waste management service charges and a description of parcels of lands against which the charges arise. It shall be the duty of the county auditors to include the charges upon the tax rolls of the county for the taxes due and payable for the following year. The solid waste management service charge shall be enforced and collected in the manner provided for the enforcement and collection of real property taxes. The service charges shall be subject to the same penalties, interest, and other conditions provided for the collection of property taxes.

Sec. 21. [MORATORIUM.]

The commissioner of revenue shall not initiate or continue any action to collect any underpayment from political subdivisions, or to reimburse any overpayment to any political subdivisions, of taxes on solid waste management services under Minnesota Statutes, section 297A.45, for the period from January 1, 1990, through January 1, 1998.

Sec. 22. [REPEALER.]

Minnesota Statutes 1996, sections 116.07, subdivision 10; 297A.01, subdivision 21; and 297A.45, are repealed.

Sec. 23. [EFFECTIVE DATES.]

Sections 1 to 19 and 22 are effective January 1, 1998.

Section 21 is effective the day following final enactment.

ARTICLE 13

TACONITE TAXATION

Section 1. Minnesota Statutes 1996, section 273.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in this section or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under $100 is rounded up to $100 and any amount exceeding $100 shall be rounded to the nearest $100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. The assessor shall take into account the effect on the market value of property of environmental factors in the vicinity of the property. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for at a fair, voluntary sale, for cash, if the material being mined or quarried is not subject to taxation under section 298.015 and the mine or quarry is not exempt from the general property tax under section 298.25. In valuing real property which is vacant, platted property shall be assessed as provided in subdivision 14. All property, or the use thereof, which is taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 2. Minnesota Statutes 1996, section 273.12, is amended to read:

273.12 [ASSESSMENT OF REAL PROPERTY.]

It shall be the duty of every assessor and board, in estimating and determining the value of lands for the purpose of taxation, to consider and give due weight to every element and factor

affecting the market value thereof, including its location with reference to roads and streets and the location of roads and streets thereon or over the same, and to take into consideration a reduction in the acreage of each tract or lot sufficient to cover the amount of land actually used for any improved public highway and the reduction in area of land caused thereby. It shall be the duty of every assessor and board, in estimating and determining the value of lands for the purpose of taxation, to consider and give due weight to lands which are comparable in character, quality, and location, to the end that all lands similarly located and improved will be assessed upon a uniform basis and without discrimination and, for agricultural lands, to consider and give recognition to its earning potential as measured by its free market rental rate.

When mineral, clay, or gravel deposits exist on a property, and their extent, quality, and costs of extraction are sufficiently well known so as to influence market value, such deposits shall be recognized in valuing the property; except for mineral and energy-resource deposits which are subject to taxation under section 298.015, and except for taconite and iron-sulphide deposits which are exempt from the general property tax under section 298.25.

Section 3. Minnesota Statutes 1996, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1992, 1993, 1994, and 1995 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, a tax of $2.054 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) On concentrates produced in 1997 and thereafter, 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.

(c) For concentrates produced in 1996 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, provided that, for concentrates produced in 1996 only, the increase in the rate of tax imposed under this section over the rate imposed for the previous year may not exceed four cents per ton. "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.

~~(c)~~ (d) The tax 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.

~~(d)~~ (e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.054 per gross ton of merchantable iron ore concentrate produced shall be imposed.

~~(e)~~ (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.

~~(f)~~ (g) (1) Notwithstanding any other provision of this subdivision, for the first ~~five years of a plant's production of direct reduced ore, the rate of the tax on direct reduced ore is determined under this paragraph~~ two years of a plant's production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "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 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 first 500,000 of taxable tons for the production year, and 50 percent of the rate otherwise determined for any remainder. If the taxpayer had no production in the two years prior to the current production year, the tonnage eligible to be taxed at 25 percent of the rate otherwise determined under this subdivision is the first 166,667 tons. If the taxpayer had some production in the year prior to the current production year but no production in the second prior year, the tonnage eligible to be taxed at 25 percent of the rate otherwise determined under this subdivision is the first 333,333 tons~~. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent 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 or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 3. Minnesota Statutes 1996, section 298.296, subdivision 4, is amended to read:

Subd. 4. [TEMPORARY LOAN AUTHORITY.] (a) The board may recommend that up to ~~$10,000,000~~ $7,500,000 from the corpus of the trust may be used for loans as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan under this paragraph may not exceed $5,000,000 for any facility.

(b) Additionally, the board must reserve the first $2,000,000 of the net interest, dividends, and earnings arising from the investment of the trust after June 30, 1996, to be used for additional grants for the purposes set forth in paragraph (a). This amount must be reserved until it is used for the grants or until June 30, 1998, whichever is earlier.

(c) Additionally, the board may recommend that up to ~~$3,000,000~~ $5,500,000 from the corpus of the trust may be used for additional grants for the purposes set forth in paragraph (a).

(d) The board may require that it receive an equity percentage in any project to which it contributes under this section.

(e) The authority to make loans and grants under this subdivision terminates June 30, 1998.

Sec. 4. [USE OF PRODUCTION TAX PROCEEDS.]

The amount distributed to the iron range resources and rehabilitation board under Minnesota Statutes, section 298.28, subdivision 7, that is attributable to the tax increase due to the implicit price deflator increase as provided in Minnesota Statutes, section 298.24, subdivision 1, paragraph (c), for concentrates produced in 1997 shall be used by the board to make a grant to the city of Hoyt Lakes to be used for the establishment of an industrial park in the city.

Sec. 5. [EFFECTIVE DATE.]

Section 3 is effective for production years beginning after December 31, 1996. Section 5 is effective the day following final enactment.

ARTICLE 14

BUDGET RESERVE

Section 1. Minnesota Statutes 1996, section 16A.152, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] ~~If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the~~

~~commissioner of finance must allocate money to the budget reserve until the total amount in the account is $270,000,000. An amount equal to any additional biennial unrestricted budgetary general fund balance made available as the result of a forecast in an odd-numbered calendar year after November 1 is appropriated in January of the following year to reduce the property tax levy recognition percent under section 121.904, subdivision 4a, to zero before additional money beyond $270,000,000 is allocated to the budget reserve account. The amount appropriated is the full amount forecast to be available at the end of the biennium and is not limited to the amount forecast to be available at the end of the current fiscal year.~~ The budget reserve account shall be increased to $522,000,000 on July 1, 1997. If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance shall allocate money to the budget reserve until the total amount in the account equals five percent of projected expenditures for the second year of the biennium.

The amounts necessary to meet the requirements of this section are appropriated from the general fund.

Sec. 2. Minnesota Statutes 1996, section 124.195, subdivision 7, is amended to read:

Subd. 7. [PAYMENTS TO SCHOOL NONOPERATING FUNDS.] Each fiscal year state general fund payments for a district nonoperating fund shall be made at 85 percent of the estimated entitlement during the fiscal year of the entitlement~~, unless a higher rate has been established according to section 121.904, subdivision 4d~~. This amount shall be paid in 12 equal monthly installments. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement shall be paid prior to October 31 of the following school year. The commissioner may make advance payments of homestead and agricultural credit aid for a district's debt service fund earlier than would occur under the preceding schedule if the district submits evidence showing a serious cash flow problem in the fund. The commissioner may make earlier payments during the year and, if necessary, increase the percent of the entitlement paid to reduce the cash flow problem.

Sec. 3. Minnesota Statutes 1996, section 124.195, subdivision 10, is amended to read:

Subd. 10. [AID PAYMENT PERCENTAGE.] Except as provided in subdivisions 8, 9, and 11, each fiscal year, all education aids and credits in this chapter and chapters 121, 123, 124A, 124B, 125, 126, 134, and section 273.1392, shall be paid at 90 percent for districts operating a program under section 121.585 for grades 1 to 12 for all students in the district and 85 percent for other districts of the estimated entitlement during the fiscal year of the entitlement~~, unless a higher rate has been established according to section 121.904, subdivision 4d~~. Districts operating a program under section 121.585 for grades 1 to 12 for all students in the district shall receive 85 percent of the estimated entitlement plus an additional amount of general education aid equal to five percent of the estimated entitlement. For all districts, the final adjustment payment, according to subdivision 6, shall be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

Sec. 4. [REPEALER.]

Minnesota Statutes 1996, section 121.904, subdivision 4d, is repealed.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective July 1, 1997.

ARTICLE 15

REGIONAL DEVELOPMENT COMMISSIONS

Section 1. Minnesota Statutes 1996, section 462.381, is amended to read:

462.381 [TITLE.]

Sections 462.381 to 462.398 may be cited as the "regional development act ~~of 1969~~."

Sec. 2. Minnesota Statutes 1996, section 462.383, is amended to read:

462.383 [PURPOSE: GOVERNMENT COOPERATION AND COORDINATION.]

Subdivision 1. [LEGISLATIVE FINDINGS.] The legislature finds that problems of growth and development in urban and rural regions of the state so transcend the boundary lines of local government units that no single unit can plan for their solution without affecting other units in the region; ~~that various multicounty planning activities conducted under various laws of the United States are presently being conducted in an uncoordinated manner~~ that coordination of multijurisdictional activities is essential to the development and implementation of effective policies and programs; that intergovernmental cooperation ~~on a regional basis~~ is an effective means of pooling the resources of local government to approach common problems; and that the assistance of the state is needed to make the most effective use of local, state, federal, and private programs in serving the citizens of such urban and rural regions.

Subd. 2. [BY CREATING REGIONAL COMMISSION.] It is the purpose of sections 462.381 to 462.398 to ~~facilitate intergovernmental cooperation and to insure the orderly and harmonious coordination of state, federal, and local comprehensive planning and development programs for the solution of economic, social, physical, and governmental problems of the state and its citizens by providing for the creation of regional development commissions~~ authorize the establishment of regional development commissions to work with and on behalf of local units of government to develop plans or implement programs to address economic, social, physical, and governmental concerns of each region of the state. The commissions may assist with, develop, or implement plans or programs for individual local units of government.

Sec. 3. Minnesota Statutes 1996, section 462.384, subdivision 5, is amended to read:

Subd. 5. [DEVELOPMENT REGION, REGION.] "Development region" or "region" means a geographic region composed of a grouping of counties ~~embodied in an executive order of the governor or~~ as ~~otherwise~~ established by sections 462.381 to 462.398.

Sec. 4. Minnesota Statutes 1996, section 462.385, subdivision 1 is amended to read:

Subdivision 1. [BY GOVERNOR'S ORDER; HEARINGS.] Development regions for the state shall ~~be those regions so designated by the governor by executive order. The order shall provide for public hearings within each proposed region after which any county may request assignment to a region other than that proposed by the order. If a request for reassignment is unacceptable to the commissioner, the county shall remain in the originally designated region until the next session of the legislature for its review and final assignment.~~ consist of the following counties:

Region 1: Kittson, Roseau, Marshall, Pennington, Red Lake, Polk, and Norman.

Region 2: Lake of the Woods, Beltrami, Mahnomen, Clearwater, and Hubbard.

Region 3: Koochiching, Itasca, St. Louis, Lake, Cook, Aitkin, and Carlton.

Region 4: Clay, Becker, Wilkin, Otter Tail, Grant, Douglas, Traverse, Stevens, and Pope.

Region 5: Cass, Wadena, Crow Wing, Todd, and Morrison.

Region 6E: Kandiyohi, Meeker, Renville, and McLeod.

Region 6W: Big Stone, Swift, Chippewa, Lac Qui Parle, and Yellow Medicine.

Region 7E: Mille Lacs, Kanabec, Pine, Isanti, and Chisago.

Region 7W: Stearns, Benton, Sherburne, and Wright.

Region 8: Lincoln, Lyon, Redwood, Pipestone, Murray, Cottonwood, Rock, Nobles, and Jackson.

Region 9: Sibley, Nicollet, LeSueur, Brown, Blue Earth, Waseca, Watonwan, Martin, and Faribault.

Region 10: Rice, Goodhue, Wabasha, Steele, Dodge, Olmsted, Winona, Freeborn, Mower, Fillmore, and Houston.

Region 11: Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota.

Sec. 5. Minnesota Statutes 1996, section 462.385, subdivision 3, is amended to read:

Subd. 3. [ONGOING BOUNDARY STUDIES; CHANGES.] ~~The commissioner shall conduct continuous studies and analysis of the boundaries of regions and shall make recommendations for their modification where necessary.~~ Modification of regional boundaries may be initiated by a county~~, a commission, or by the commissioner and will be accomplished in accordance with this section as in the case of initial designation~~ requesting assignment to a region other than that within which it is designated. If a request for reassignment is unacceptable to the commission whose boundaries would be modified, the county requesting reassignment shall remain in the originally designated region until the legislature determines the final assignment.

Sec. 6. Minnesota Statutes 1996, section 462.386, subdivision 1, is amended to read:

Subdivision 1. [EXCEPTION, WORKING AGREEMENTS.] All coordination, planning, and development regions assisted or created by the state of Minnesota or pursuant to federal legislation shall conform to the regions ~~designated by the executive order~~ except where, after review and approval by the ~~commissioner~~ governor or designee, nonconformance is clearly justified. The ~~commissioner~~ governor or designee shall develop working agreements with state and federal departments and agencies to insure conformance with this subdivision.

Sec. 7. Minnesota Statutes 1996, section 462.387, is amended to read:

462.387 [REGIONAL DEVELOPMENT COMMISSIONS; ESTABLISHMENT.]

Subdivision 1. [PETITION.] Any combination of counties or municipalities representing a majority of the population of the region for which a commission is proposed may petition the ~~commissioner~~ governor or designee by formal resolution setting forth its desire to establish, and the need for, the establishment of a regional development commission. For purposes of this section the population of a county does not include the population of a municipality within the county.

Subd. 1a. [OPERATING COMMISSION.] Regional development commissions shall be those organizations operating pursuant to sections 462.381 to 462.398 which were formed by formal resolution of local units of government and those which may petition by formal resolution to establish a regional development commission.

Subd. 3. [ESTABLISHMENT.] Upon receipt of a petition as provided in subdivision 1 a regional development commission shall be established by the ~~commissioner~~ governor or designee and ~~the notification of~~ all local government units within the region for which the commission is proposed shall be notified. The notification shall be made within 60 days of the ~~commissioner's~~ governor's receipt of a petition under subdivision 1.

Subd. 4. [SELECTION OF MEMBERSHIP.] The ~~commissioner~~ governor or designee shall call together each of the membership classifications except citizen groups, defined in section 462.388, within 60 days of the establishment of a regional development commission for the purpose of selecting the commission membership.

Subd. 5. [NAME OF COMMISSION.] The name of the organization shall be determined by formal resolution of the commission.

Sec. 8. Minnesota Statutes 1996, section 462.388, is amended to read:

462.388 [COMMISSION MEMBERSHIP.]

Subdivision 1. [REPRESENTATION OF VARIOUS MEMBERS.] A commission shall consist of the following members:

(1) one member from each county board of every county in the development region;

(2) one additional county board member from each county of over 100,000 population;

(3) the town clerk, town treasurer, or one member of a town board of supervisors from each county containing organized towns;

(4) one additional member selected by the county board of any county containing no townships;

(5) one mayor or council member from a municipality of under 10,000 population from each county, selected by the mayors of all such municipalities in the county;

(6) one mayor or council member from each municipality of over 10,000 in each county;

(7) two school board members elected by a majority of the chairs of school boards in the development region;

(8) one member from each council of governments;

(9) one member appointed by each native American tribal council located in each region; and

(10) citizens representing public interests within the region including members of minority groups to be selected after adoption of the bylaws of the commission~~; and~~

~~(10) the chair, who shall be selected by the commission~~.

Subd. 2. [TERMS, SELECTION METHOD.] The terms of office and method of selection of members ~~other than the chair~~ shall be provided in the bylaws of the commission ~~which shall not be inconsistent with the provisions of subdivision 1~~. The commission shall adopt rules setting forth its procedures.

Subd. 5. [PER DIEM; BOARD MEMBERS.] Members of the regional commission may receive a per diem of not over ~~$35~~ $50, the amount to be determined by the commission, and shall be reimbursed for their reasonable expenses as determined by the commission. The commission ~~shall~~ may provide for the election of a board of directors~~, who need not be commission members,~~ and provide, at its discretion, for a per diem of not over ~~$35~~ $50 a day for meetings of the board and expenses. A member of the board of directors who is a member of the commission shall receive only the per diem payable to board members when meetings of the board of directors and the commission are held on the same day.

Sec. 9. Minnesota Statutes 1996, section 462.389, subdivision 1, is amended to read:

Subdivision 1. [CHAIR.] The chair of the commission shall have been a resident of the region for at least one year and shall be a person experienced in the field of government affairs. The chair shall preside at the meetings of the commission and board of directors~~, appoint all employees thereof, subject to the approval of the commission,~~ and be responsible for carrying out all policy decisions of the commission. The chair's expense allowances shall be fixed by the commission. The term of the first chair shall be one year, and the chair shall serve until a successor is selected and qualifies. At the expiration of the term of the first chair, the chair shall be elected from the membership of the commission according to procedures established in its bylaws.

Sec. 10. Minnesota Statutes 1996, section 462.389, subdivision 3, is amended to read:

Subd. 3. [EXECUTIVE DIRECTOR.] ~~Upon the recommendation of the chair,~~ The commission may appoint an executive director to serve as the chief administrative officer. The director may be chosen from among the citizens of the nation at large, and shall be selected on the basis of training and experience in the field of government affairs.

Sec. 11. Minnesota Statutes 1996, section 462.389, subdivision 4, is amended to read:

Subd. 4. [EMPLOYEES.] The commission may ~~prepare, in consultation with the state commissioner of employee relations, and may~~ adopt a ~~merit~~ personnel system for its officers and employees including terms and conditions for the employment, the fixing of compensation, their classification, benefits, and the filing of performance and fidelity bonds, and such policies of

insurance as it may deem advisable, the premiums for which, however, shall be paid for by the commission. Officers and employees are public employees within the meaning of chapter 353. The commission shall make the employer's contributions to pension funds of its employees.

Sec. 12. Minnesota Statutes 1996, section 462.39, subdivision 2, is amended to read:

Subd. 2. [~~FEDERAL~~ REGIONAL PROGRAMS.] The commission is ~~the~~ authorized ~~agency~~ to receive ~~state and federal grants~~ public and private funds for ~~regional~~ purposes ~~from the following programs:~~

~~(1) Section 403 of the Public Works and Economic Development Act of 1965 (economic development districts);~~

~~(2) Section 701 of the Housing Act of 1954, as amended (multicounty comprehensive planning);~~

~~(3) Omnibus Crime Control Act of 1968;~~

~~and for the following to the extent feasible as determined by the governor:~~

~~(a) Economic Opportunity Act of 1964;~~

~~(b) Comprehensive Health Planning Act of 1965;~~

~~(c) Federal regional manpower planning programs;~~

~~(d) Resource, conservation, and development districts; or~~

~~(e) Any state and federal programs providing funds for~~ including, but not limited to program administration, multicounty planning, coordination, and development ~~purposes. The director shall, where consistent with state and federal statutes and regulations, review applications for all state and federal regional planning and development grants to a commission.~~

Sec. 13. Minnesota Statutes 1996, section 462.39, subdivision 3, is amended to read:

Subd. 3. [PLANNING.] The commission ~~shall~~ may prepare and ~~adopt~~ submit for adoption, after appropriate study and such public hearings as may be necessary, ~~a~~ comprehensive ~~development plan~~ plans for local units of government, individually or collectively, within the region. ~~The plan shall~~ Plans may consist of ~~a compilation of~~ policy statements, goals, standards, programs, and maps prescribing guides for ~~an~~ orderly ~~and economic~~ development~~, public and private, of the region. The comprehensive development plan~~ within the jurisdiction subject to the plan. The plans shall recognize and incorporate planning principles which encompass physical, social, or economic needs of the region~~, and those future developments which will have an impact on the entire region including but not limited to such matters as land use, parks and open space land needs, access to direct sunlight for solar energy systems, the necessity for and location of airports, highways, transit facilities, public hospitals, libraries, schools, public and private, housing, and other public buildings~~. In preparing ~~the~~ development ~~plan~~ plans the commission shall use to the maximum extent feasible the resources studies and data available from other planning agencies within the region, including counties, municipalities, special districts, and subregional planning agencies, and it shall utilize the resources of ~~the director~~ state agencies to the same purpose. ~~No development plan or portion thereof for the region shall be adopted by the commission until it has been submitted to the director for review and comment and a period of 60 days has elapsed after such submission. When a development plan has been adopted, the commission shall distribute it to all local government units within the region.~~

Sec. 14. Minnesota Statutes 1996, section 462.391, is amended by adding a subdivision to read:

Subd. 1a. [REVIEW OF LOCAL PLANS.] The commission may review and provide comments and recommendations on local plans or development proposals which in the judgment of the commission have a substantial effect on regional development. Local units of government may request that a regional commission review, comment, and provide advisory recommendations on local plans or development proposals.

Sec. 15. Minnesota Statutes 1996, section 462.391, is amended by adding a subdivision to read:

Subd. 2a. [STAFF SERVICES.] To avoid duplication of staff for various regional bodies assisted by federal or state government, the commission may provide basic administrative, research, and planning services for all regional planning and development bodies. The commissions may contract to obtain or perform services with state agencies, for-profit or nonprofit entities, subdistricts organized as the result of federal or state programs, councils of governments organized under section 471.59, or any other law, and with local governments.

Sec. 16. Minnesota Statutes 1996, section 462.391, is amended by adding a subdivision to read:

Subd. 3a. [DATA AND INFORMATION.] The commission may be designated as a regional data center providing data collection, storage, analysis, and dissemination to be used by it and other governmental and private users, and may accept gifts or grants to provide this service.

Sec. 17. Minnesota Statutes 1996, section 462.391, subdivision 5, is amended to read:

Subd. 5. [~~URBAN AND RURAL~~ RESEARCH.] Where studies have not been otherwise authorized by law the commission may study the feasibility of programs ~~relating~~ including, but not limited to, water, land use, economic development, ~~minority problems~~ housing, demographics, cultural issues, governmental ~~problems~~ issues, human ~~and~~ services, natural resources, communication, technology, transportation, and other subjects of concern to the citizens of the region, may institute demonstration projects in connection therewith, and may enter into contracts or accept gifts or grants for such purposes as otherwise authorized in sections 462.381 to 462.398.

Sec. 18. Minnesota Statutes 1996, section 462.391, is amended by adding a subdivision to read:

Subd. 11. [PROGRAM OPERATION.] Upon approval of the appropriate authority from local, state, and federal government units, commissions may be regarded as general purpose units of government to receive funds and operate programs on a regional or subregional basis to provide economies of scale or to enhance program efficiency.

Sec. 19. Minnesota Statutes 1996, section 462.391, is amended by adding a subdivision to read:

Subd. 12. [PROPERTY OWNERSHIP.] A commission may buy, lease, acquire, own, hold, improve, and use real or personal property or an interest in property, wherever located in the state for purposes of housing the administrative office of the regional commission.

Sec. 20. Minnesota Statutes 1996, section 462.391, is amended by adding a subdivision to read:

Subd. 13. [PROPERTY DISPOSITION.] A commission may sell, convey, mortgage, create a security interest in, lease, exchange, transfer, or dispose of all or part of its real or personal property or an interest in property, wherever located in the state.

Sec. 21. Minnesota Statutes 1996, section 462.393, is amended to read:

462.393 [ANNUAL REPORT TO UNITS, PUBLIC, GOVERNOR, LEGISLATURE.]

Subdivision 1. [CONTENTS.] On or before ~~August~~ September 1 of each year, the commission shall prepare a report for the governmental units, the public within the region, the legislature and the governor. The report shall include:

(1) A statement of the commission's receipts and expenditures by category since the preceding report;

(2) A detailed budget for the year in which the report is filed and a tentative budget for the following year including an outline of its program for such period;

(3) A description of any ~~comprehensive~~ plan adopted in whole or in part for the region;

(4) Summaries of any studies and the recommendations resulting therefrom made for the region;

(5) A ~~listing of all applications for federal grants or loans made by governmental units within the region together with the action taken by the commission in relation thereto~~ summary of significant accomplishments;

(6) A listing of plans of local governmental units submitted to the region, and actions taken in relationship thereto;

(7) Recommendations of the commission regarding federal and state programs, cooperation, funding, and legislative needs; and

(8) A summary of any audit report made during the previous year ~~by the state auditor~~ relative to the commission.

Subd. 2. [ASSESSMENT EVERY 5 YEARS.] In ~~1981~~ 2001 and every five years thereafter the commission shall review its activities and issue a report assessing its performance in fulfilling the purposes of the regional development act ~~of 1969~~. The report shall ~~state~~ address whether the existence of the commission is in the public welfare and interest. ~~The report shall be included in the report required by subdivision 1.~~

Sec. 22. Minnesota Statutes 1996, section 462.394, is amended to read:

462.394 [CITIZEN PARTICIPATION AND ADVISORY COMMITTEES.]

The commission may appoint advisory committees of interested and affected citizens to assist in the review of plans, programs, and other matters referred for review by the commission. Whenever a special advisory committee is required by any federal or state regional program the commission ~~chair~~ shall, as far as practical, appoint such committees as advisory groups to the commission. Members of the advisory committees shall serve without compensation but shall be reimbursed for their reasonable expenses as determined by the commission.

Sec. 23. Minnesota Statutes 1996, section 462.396, subdivision 1, is amended to read:

Subdivision 1. [GRANTMAKING, TAX LEVY.] The ~~director~~ governor and the legislature shall determine the amount of state assistance and designate an agency to make grants to any commission created under sections 462.381 to 462.398 from appropriations made available for those purposes~~, provided a work program is submitted acceptable to the director~~. Any regional commission may levy a tax on all taxable property in the region to provide money for the purposes of sections 462.381 to 462.398.

Sec. 24. Minnesota Statutes 1996, section 462.396, subdivision 3, is amended to read:

Subd. 3. [GIFTS, GRANTS, LOANS.] The commission is a special purpose unit of government which may accept gifts, apply for and use grants or loans of money or other property from the United States, the state, or any person, local or governmental body for any commission purpose and may enter into agreements required in connection therewith and may hold, use, and dispose of such moneys or property in accordance with the terms of the gift, grant, loan, agreement, or contract relating thereto.

For purposes of receipt of state or federal funds for community and economic development, regional commissions shall be considered general purpose units of government.

Sec. 25. Minnesota Statutes 1996, section 462.396, subdivision 4, is amended to read:

Subd. 4. [ACCOUNTING; CHECKS; ANNUAL AUDIT.] The commission shall keep an accurate account of its receipts and disbursement. Disbursements of funds of the commission shall be made by check signed by the chair or vice-chair or secretary of the commission and countersigned by the executive director or an authorized deputy thereof after such auditing and approval of the expenditure as may be provided by rules of the commission. The state auditor ~~shall~~ may audit the books and accounts of the commission once each year, or as often as funds and personnel of the state auditor permit. The commission shall pay to the state the total cost and expenses of such examination, including the salaries paid to the auditors while actually engaged in

making such examination. The general fund shall be credited with all collections made for any such examination. In lieu of an annual audit by the state auditor, the commission ~~may~~ shall contract with a certified public accountant for the annual audit of the books and accounts of the commission. If a certified public accountant performs the audit, the commission shall send a copy of the audit to the state auditor.

Sec. 26. Minnesota Statutes 1996, section 462.398, is amended to read:

462.398 [TERMINATION OF COMMISSION.]

Subdivision 1. [PETITION; POPULATION.] Any combination of counties or municipalities representing a majority of the population of the region for which a commission exists may petition the ~~director~~ governor by formal resolution stating that the existence of the commission is no longer in the public welfare and interest and is not needed to accomplish the purposes of the regional development act ~~of 1969~~. For purposes of this section the population of a county does not include the population of a municipality within the county. Any formal resolution adopted by the governing body of a county or municipality for the termination of a commission shall be effective for a period of one year for the purpose of determining the requisite population of the region needed to petition the ~~director~~ governor.

Subd. 2. [HEARINGS; RECOMMENDATION, TERMINATION DATE.] Within 35 days of the ~~receipt~~ filing of the petition, the ~~director~~ governor or designee shall fix a time and place within the region for a hearing. The director shall give notice of the hearing by publication once each week for two successive weeks before the date of the hearing in a legal newspaper in each of the counties which the commission represents. The hearing shall be conducted by members of the commission. If the commission determines that the existence of the commission is no longer in the public welfare and interest and that it is not needed to accomplish the purposes of the regional development act ~~of 1969~~, the commission shall recommend to the ~~director~~ governor or designee that the ~~director~~ governor or designee terminate the commission. Within 60 days after receipt of the recommendation, the ~~director~~ governor or designee shall terminate the commission by giving notice of the termination to all government units within the region for which the commission was established. Unless otherwise provided by this subdivision, the hearing shall be in accordance with sections 14.001 to 14.69.

Subd. 3. [30 MONTHS BETWEEN PETITIONS.] The ~~director~~ governor or designee shall not accept a petition for termination more than once in 30 months for each regional development commission.

Sec. 27. [REPEALER.]

Minnesota Statutes 1996, sections 462.384, subdivision 7; 462.385, subdivision 2; 462.389, subdivision 5; 462.391, subdivisions 1, 2, 3, 4, 6, 7, 8, and 9; and 462.392, are repealed.

ARTICLE 16

MISCELLANEOUS

Section 1. Minnesota Statutes 1996, section 287.22, is amended to read:

287.22 [EXCEPTIONS.]

The tax imposed by section 287.21 shall not apply to:

A. Any executory contract for the sale of land under which the vendee is entitled to or does take possession thereof, or any assignment or cancellation thereof.

B. Any mortgage or any assignment, extension, partial release, or satisfaction thereof.

C. Any will.

D. Any plat.

E. Any lease.

F. Any deed, instrument, or writing in which the United States or any agency or instrumentality thereof is the grantor, assignor, transferor, conveyor, grantee or assignee.

G. Deeds for cemetery lots.

H. Deeds of distribution by personal representatives.

I. Deeds to or from coowners partitioning undivided interests in the same piece of property.

J. Any deed or other instrument of conveyance issued pursuant to a land exchange under section 92.121 and related laws.

K. A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale.

L. A referee's or sheriff's certificate of redemption from a mortgage or lien foreclosure sale issued to the redeeming mortgagor or lienee.

M. A decree of marriage dissolution, as defined in section 287.01, subdivision 4, or any deed or other instrument between the parties to the dissolution made pursuant to the terms of the decree.

Sec. 2. Minnesota Statutes 1996, section 298.75, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(1) "Aggregate material" shall mean nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, building stone, crushed rock, limestone, and granite. Aggregate material shall not include dimension stone and dimension granite. Aggregate material must be measured or weighed after if it has been extracted from the pit, quarry, or deposit.

(2) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

(4) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) "Importer" shall mean any person who buys aggregate material produced from a county not listed in paragraph (6) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(6) "County" shall mean the counties of Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Carlton, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, ~~and~~ Ramsey, and Pope.

Sec. 3. Minnesota Statutes 1996, section 298.75, subdivision 4, is amended to read:

Subd. 4. If the county auditor has not received the report by the 15th day after the last day of each calendar quarter from the operator or importer as required by subdivision 3 or has received an erroneous report, the county auditor shall estimate the amount of tax due and notify the operator or importer by registered mail of the amount of tax so estimated within the next 14 days. An operator or importer may, within 30 days from the date of mailing the notice, and upon payment of the amount of tax determined to be due, file in the office of the county auditor a written statement of objections to the amount of taxes determined to be due. The statement of objections shall be deemed to be a petition within the meaning of chapter 278, and shall be governed by sections 278.02 to 278.13.

Sec. 4. Minnesota Statutes 1996, section 298.75, is amended by adding a subdivision to read:

Subd. 8. The county auditor or its duly authorized agent may examine records, including computer records, maintained by an importer or operator. The term "record" includes, but is not limited to, all accounts of an importer or operator. The county auditor must have access at all reasonable times to inspect and copy all business records related to an importer's or operator's collection, transportation, and disposal of aggregate to the extent necessary to ensure that all aggregate material production taxes required to be paid have been remitted to the county. The records must be maintained by the importer or operator for no less than six years.

Sec. 5. Minnesota Statutes 1996, section 308A.705, subdivision 1, is amended to read:

Subdivision 1. [DISTRIBUTION OF NET INCOME.] Net income in excess of dividends on capital stock and additions to reserves shall be distributed on the basis of patronage. A cooperative may establish allocation units, whether the units are functional, divisional, departmental, geographic, or otherwise, and pooling arrangements and may account for and distribute net income on the basis of allocation units and pooling arrangements. A cooperative may offset the net loss of an allocation unit or pooling arrangement against the net income of other allocation units or pooling arrangements to the extent permitted by section 1388(j) of the Internal Revenue Code of 1986, as amended through December 31, 1996.

Sec. 6. Minnesota Statutes 1996, section 325D.33, subdivision 3, is amended to read:

Subd. 3. [REBATES OR CONCESSIONS.] It is unlawful for a wholesaler to offer a rebate in price, to give a rebate in price, to offer a concession of any kind, or to give a concession of any kind in connection with the sale of cigarettes. For purposes of this chapter, the term "discount" is included in the definition of a rebate. For purposes of this subdivision, the term "wholesaler" does not include a manufacturer or manufacturer's representative.

Sec. 7. Minnesota Statutes 1996, section 469.169, is amended by adding a subdivision to read:

Subd. 11. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7, 8, 9, and 10, the commissioner may allocate $1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, 1998.

Sec. 8. [APPROPRIATION.]

$16,600,000 is appropriated in fiscal year 1998 from the general fund to the commissioner of revenue to pay claims filed under the Cambridge Bank Judgment.

Sec. 9. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment. Sections 2 to 4 are effective July 1, 1997, provided that section 2 as it relates only to Carlton county is effective the day after compliance by Carlton county with the requirements of Minnesota Statutes, section 645.021, subdivision 3."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; providing property tax class rate reform; providing for education financing; providing for calculation of rent constituting property taxes; providing increased property tax refunds for homeowners; changing truth-in-taxation requirements; providing for joint truth-in-taxation

hearings; imposing levy limits on cities and counties for taxes levied in 1997 and 1998; changing fiscal note requirements for state mandates; providing for reimbursement for costs of state mandate; requiring periodic review of administrative rules; reducing or repealing certain corporate taxes; imposing a business activity tax; making miscellaneous property tax changes; providing procedures for the apportionment of a local government unit; providing for increase in city aid base; changing tax increment financing provisions; providing for heritage and historic subdistricts; authorizing certain tax increment districts; exempting certain tax increment districts from certain requirements; authorizing local tax levies, abatements, and assessments; conforming certain income tax laws with changes in federal law; modifying certain income tax definitions and formulas; providing income tax credits; imposing the sales tax on certain tangible personal property and services; modifying the application of sales and excise taxes; exempting certain purchases from the sales tax; authorizing the city of Willmar to impose sales and excise taxes; modifying waste management tax and taconite tax provisions; increasing the budget reserve; revising the law governing regional development commissions; requiring reports; appropriating money; amending Minnesota Statutes 1996, sections 16A.152, subdivision 2; 93.41; 103D.905, subdivisions 4, 5, and by adding a subdivision; 115A.554; 124.195, subdivisions 7 and 10; 124.239, subdivision 5, and by adding subdivisions; 124.2716, subdivision 3; 124.2727, subdivision 6b; 124.312, subdivisions 4 and 5; 124.314, subdivision 2; 124.83, subdivision 4; 124.95, subdivisions 1 and 4; 124A.23, subdivision 1; 216B.16, by adding a subdivision; 270B.01, subdivision 8; 272.02, subdivision 1; 273.11, subdivisions 1 and 16; 273.112, subdivisions 1, 2, 3, and 4; 273.12; 273.124, by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.1398, subdivisions 4 and 8; 273.1399, subdivision 6, and by adding a subdivision; 275.065, subdivisions 1, 3, 5a, 6, 8, and by adding subdivisions; 275.16; 276.04, subdivision 2; 281.13; 281.23, subdivision 6, and by adding a subdivision; 281.273; 281.276; 282.01, subdivision 8; 282.04, subdivision 1; 289A.02, subdivision 7; 290.01, subdivisions 19, 19a, 19b, 19c, 19d, 19f, 19g, and 31; 290.014, subdivisions 2 and 3; 290.015, subdivisions 3 and 5; 290.06, subdivisions 1, 22, and by adding a subdivision; 290.068, subdivision 1; 290.0922, subdivision 1; 290.17, subdivision 1; 290.191, subdivision 4; 290.371, subdivision 2; 290.9725; 290.9727, subdivision 1; 290.9728, subdivision 1; 290A.03, subdivisions 11 and 13; 290A.04, subdivisions 2 and 6; 290A.19; 291.005, subdivision 1; 296.141, subdivision 4; 296.18, subdivision 1; 297A.01, subdivisions 3, 4, 7, 11, 15, and 16; 297A.09; 297A.15, subdivision 7; 297A.25, subdivisions 2, 7, 11, 11, 16, 56, 59, and by adding subdivisions; 297A.44, subdivision 1; 297B.01, subdivisions 7 and 8; 297E.04, subdivision 3; 298.24, subdivision 1; 298.296, subdivision 4; 298.75, subdivision 1, 4, and by adding a subdivision; 325D.33, subdivision 3; 349.12, subdivision 26a; 349.163, subdivision 8; 373.40, subdivision 7; 375.192, subdivision 2; 383A.75, subdivision 3; 462.381; 462.383; 462.384; 462.385, subdivisions 1 and 3; 462.386, subdivision 1; 462.387; 462.388; 462.389, subdivisions 1, 3, and 4; 462.39, subdivisions 2 and 3 and by adding a subdivision; 462.391, subdivision 5, and by adding subdivisions; 462.393; 462.394; 462.396, subdivisions 1, 3, and 4; 462.398; 465.71; 465.81, subdivisions 1 and 3; 465.82, subdivisions 1, 2, and by adding a subdivision; 465.87, subdivisions 1a and 2; 465.88; 469.040, subdivision 3, and by adding a subdivision; 469.169, by adding a subdivision; 469.174, subdivisions 4, 7, 10, 12, 16, 23, 24, and by adding subdivisions; 469.175, subdivisions 1, 3, 7, and by adding a subdivision; 469.176, subdivisions 1b, 1e, 4c, 4e, 4j, 5, and by adding a subdivision; 469.1765, subdivisions 2, 3, 4, and 7; 469.177, subdivision 3; 477A.011, subdivision 36; 477A.014, subdivision 4; 611.27, subdivision 4; amending Laws 1992, chapter 511, article 2, section 52; Laws 1993, chapter 375, articles 7, section 29; and 9, section 45, subdivision 2, 3, 4, and by a adding a subdivision; Laws 1995, chapters 255, article 3, section 2, subdivision 1, as amended; 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; proposing coding for new law in Minnesota Statutes, chapters 3; 14; 124; 273; 275; 290; 458D; 462A; 469; proposing coding for new law as Minnesota Statutes, chapter 297F; repealing Minnesota Statutes 1996, sections 3.982; 116.07, subdivision 10; 121.904, subdivision 4d; 124.91, subdivisions 2 and 7; 124.912, subdivisions 2 and 3; 270B.12, subdivision 11; 273.13, subdivision 32; 273.1317; 273.1318; 276.012; 290.0921; 290.0922; 290A.03, subdivisions 12a and 14; 290A.055; 290A.26; 297A.01, subdivisions 20 and 21; 297A.02, subdivision 5; 297A.45; 462.384, subdivision 7; 462.385, subdivision 2; 462.389, subdivision 5; 462.391, subdivisions 1, 2, 3, 4, 6, and 7; 462.392, subdivisions 8 and 9; 469.174, subdivision 19; 469.176, subdivision 4b; 645.34; repealing Laws 1995, chapter 264, article 4, as amended."

And when so amended the bill do pass. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. No. 493 was read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the General Orders Calendar. The motion prevailed.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Neuville in the chair.

After some time spent therein, the committee arose, and Mr. Neuville reported that the committee had considered the following:

S.F. Nos. 839, 569, 536, 1266 and H.F. Nos. 1123, 704, 591, which the committee recommends to pass.

S.F. No. 890, which the committee recommends to pass with the following amendment offered by Mrs. Scheid:

Page 4, line 29, after "insurance" insert "required by law"

Page 4, line 31, delete everything after the period

Page 4, delete lines 32 and 33 and insert "Delivery may take place at or away from the dealership."

Page 5, after line 19, insert:

"(3) prepare and deliver documents necessary to the transaction;"

Page 5, line 20, delete "(3)" and insert "(4)"

Page 5, line 24, delete "(4)" and insert "(5)"

Page 5, line 27, delete "(5)" and insert "(6)"

Page 5, line 33, delete "prepare or"

Page 6, after line 4, insert:

"This subdivision does not apply to licensed motor vehicle lessors and shall not be construed to restrict licensed motor vehicle lessors from brokering motor vehicle leases or otherwise engaging in the leasing of motor vehicles in accordance with subdivisions 1 and 4."

The motion prevailed. So the amendment was adopted.

S.F. No. 157, which the committee recommends to pass with the following amendments offered by Mr. Betzold:

Page 64, delete section 4

Page 90, line 3, delete "36" and insert "35" and delete "37" and insert "36"

Page 90, line 5, delete "37" and insert "36"

Renumber the sections of article 5 in sequence

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Betzold then moved to amend S.F. No. 157 as follows:

Page 58, after line 18, insert:

"Section 1. Minnesota Statutes 1996, section 16A.641, subdivision 4, is amended to read:

Subd. 4. [SALE AND ISSUANCE.] State bonds must be sold and issued upon sealed bids in the manner and on the terms and conditions determined by the commissioner in accordance with the laws authorizing them and subject to the approval of the attorney general, but not subject to chapter 14, including section 14.386. For each series, in addition to provisions required by subdivision 3, the commissioner may determine:

(1) the time, place, and notice of sale and method of comparing bids;

(2) the price, not less than par for highway bonds;

(3) the principal amount and date of issue;

(4) the interest rates and payment dates;

(5) the maturity amounts and dates, not more than 20 years from the date of issue, subject to subdivision 5;

(6) the terms, if any, on which the bonds may or must be redeemed before maturity, including notice, times, and redemption prices; and

(7) the form of the bonds and the method of execution, delivery, payment, registration, conversion, and exchange, in accordance with section 16A.672.

Sec. 2. Minnesota Statutes 1996, section 16A.671, subdivision 5, is amended to read:

Subd. 5. [TERMS.] The commissioner may establish by order with the approval of the attorney general, but not subject to chapter 14, including section 14.386, the terms of each series of certificates of indebtedness including:

(1) the manner of sale under subdivision 6;

(2) the price, principal amount, and date of issue;

(3) the interest rate or rates and payment dates, or the basis of computation of a variable rate;

(4) the maturity date or dates, within the current biennium except as provided in subdivision 10;

(5) the terms, if any, of redemption before maturity;

(6) the form and method of execution, delivery, payment, registration, conversion, and exchange, under section 16A.672."

Page 61, after line 30, insert:

"Sec. 9. Minnesota Statutes 1996, section 474A.17, is amended to read:

474A.17 [ADMINISTRATIVE PROCEDURE ACT NOT APPLICABLE.]

Chapter 14 ~~shall~~, including section 14.386, does not apply to actions taken by any state agency or entity under this chapter."

Page 62, line 5, delete "1, 2, and 4 to 6" and insert "1 to 4 and 6 to 9"

Page 62, lines 6 and 7, delete "3" and insert "5"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 854, which the committee recommends to pass with the following amendment offered by Ms. Higgins:

Page 1, line 12, before "This" insert "Unless a negotiated agreement is reached between the employers and exclusive representatives of affected employees,"

The motion prevailed. So the amendment was adopted.

S.F. No. 1170, which the committee recommends to pass with the following amendment offered by Ms. Wiener:

Page 1, line 15, delete "16 or"

The motion prevailed. So the amendment was adopted.

The question was taken on the recommendation to pass S.F. No. 1170.

The roll was called, and there were yeas 35 and nays 24, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Kelly, R.C.	Murphy	Scheid
Beckman	Hottinger	Krentz	Pappas	Solon
Belanger	Janezich	Laidig	Piper	Spear
Berglin	Johnson, D.H.	Lourey	Pogemiller	Stumpf
Dille	Johnson, J.B.	Marty	Price	Vickerman
Flynn	Junge	Metzen	Ranum	Wiener
Hanson	Kelley, S.P.	Morse	Sams	Wiger

Those who voted in the negative were:

Berg	Foley	Knutson	Neuville	Runbeck
Betzold	Frederickson	Larson	Ourada	Samuelson
Cohen	Johnson, D.E.	Lesewski	Pariseau	Scheevel
Day	Kiscaden	Lessard	Robertson	Stevens
Fischbach	Kleis	Limmer	Robling	

The motion prevailed. So S.F. No. 1170 was recommended to pass.

S.F. No. 1470, which the committee recommends to pass with the following amendment offered by Ms. Berglin:

Page 5, delete lines 10 to 17 and insert "funds, including revenues derived from tax increments: (1) 15 percent to the school district, one-half of which shall be used for additional education programs and services in accordance with the program and approved by the policy board and school board, and (2) ~~7.5~~ 15 percent to the county, ~~and (3) 7.5 percent~~ one-half of which shall be used for additional social services. Payment must be made to the county and school"

The motion prevailed. So the amendment was adopted.

S.F. No. 724, which the committee reports progress, after the following motions:

Mrs. Lourey moved to amend S.F. No. 724 as follows:

Page 2, after line 14, insert:

"Sec. 5. Minnesota Statutes 1996, section 169.14, subdivision 3, is amended to read:

Subd. 3. [REDUCED SPEED REQUIRED.] (a) The driver of any vehicle shall, consistent with the requirements, drive at an appropriate reduced speed when approaching or passing an authorized emergency vehicle stopped with emergency lights flashing on any street or highway, when approaching and crossing an intersection or railway grade crossing, when approaching and going around a curve, when approaching a hill crest, when traveling upon any narrow or winding roadway, and when special hazards exist with respect to pedestrians or other traffic or by reason of weather or highway conditions.

(b) A person who fails to reduce speed appropriately when approaching or passing an authorized emergency vehicle stopped with emergency lights flashing on a street or highway shall be assessed an additional surcharge equal to the amount of the fine imposed for the speed violation, but not less than $25."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Ms. Johnson, J.B. moved to amend S.F. No. 724 as follows:

Amend the title as follows:

Page 1, delete line 8

Page 1, line 9, delete everything before "directing"

The motion prevailed. So the amendment was adopted.

Ms. Hanson moved to amend S.F. No. 724 as follows:

Page 1, after line 22, insert:

"Section 1. Minnesota Statutes 1996, section 116.07, subdivision 2a, is amended to read:

Subd. 2a. [EXEMPTIONS FROM STANDARDS.] No standards adopted by any state agency for limiting levels of noise in terms of sound pressure which may occur in the outdoor atmosphere shall apply to (1) segments of trunk highways constructed with federal interstate substitution money, provided that all reasonably available noise mitigation measures are employed to abate noise, (2) an existing or newly constructed segment of a highway, provided that all reasonably available noise mitigation measures, as approved by the commissioners of the department of transportation and pollution control agency, are employed to abate noise, (3) except for roadways for which full control of access has been acquired, an existing or newly constructed segment of a road, street, or highway under the jurisdiction of a road authority of a town, statutory or home rule charter city, or county, (4) skeet, trap or shooting sports clubs, or ~~(4)~~ (5) motor vehicle race events conducted at a facility specifically designed for that purpose that was in operation on or before July 1, 1983. Nothing herein shall prohibit a local unit of government or a public corporation with the power to make rules for the government of its real property from regulating the location and operation of skeet, trap or shooting sports clubs, or motor vehicle race events conducted at a facility specifically designed for that purpose that was in operation on or before July 1, 1983."

Page 5, line 5, delete "7" and insert "8"

Page 5, line 8, delete "10" and insert "11"

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "exempting certain roads, streets, and highways from noise standards;"

Ms. Hanson then moved to amend the Hanson amendment to S.F. No. 724 as follows:

Page 1, line 15, delete "except for"

The motion prevailed. So the amendment to the amendment was adopted.

Ms. Kiscaden moved to amend the Hanson amendment to S.F. No. 724 as follows:

Page 1, line 15, after "(3)" insert "except for cities of the first class,"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the Hanson amendment, as amended.

The roll was called, and there were yeas 38 and nays 15, as follows:

Those who voted in the affirmative were:

Beckman	Hanson	Laidig	Pariseau	Stevens
Belanger	Hottinger	Langseth	Robertson	Stumpf
Berg	Johnson, D.E.	Lesewski	Robling	Ten Eyck
Betzold	Johnson, J.B.	Lessard	Runbeck	Vickerman
Day	Kiscaden	Limmer	Sams	Wiener
Dille	Kleis	Lourey	Samuelson	Wiger
Fischbach	Knutson	Neuville	Scheevel	
Foley	Krentz	Ourada	Scheid	

Those who voted in the negative were:

Anderson	Flynn	Junge	Morse	Price
Berglin	Frederickson	Kelley, S.P.	Pappas	Ranum
Cohen	Higgins	Marty	Piper	Spear

The motion prevailed. So the Hanson amendment, as amended, was adopted.

S.F. No. 724 was then progressed.

On motion of Ms. Junge, the report of the Committee of the Whole, as kept by the Secretary, was adopted.

MOTIONS AND RESOLUTIONS - CONTINUED

CONFIRMATION

Mr. Marty moved that the report from the Committee on Election Laws, reported April 10, 1997, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Marty moved that the foregoing report be now adopted. The motion prevailed.

Mr. Marty moved that in accordance with the report from the Committee on Election Laws, reported April 10, 1997, the Senate, having given its advice, do now consent to and confirm the appointment of:

STATE ETHICAL PRACTICES BOARD

Charles A. Slocum, 15134 Williston Ln., Minnetonka, Hennepin County, effective June 15, 1996, for a term expiring on the first Monday in January, 1999.

The motion prevailed. So the appointment was confirmed.

RECESS

Ms. Junge moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Mr. Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 601: Messrs. Vickerman, Samuelson and Mrs. Pariseau.

H.F. No. 379: Messrs. Oliver, Metzen and Mrs. Scheid.

S.F. No. 1888: Messrs. Stumpf, Solon, Ms. Wiener, Messrs. Larson and Murphy.

Ms. Junge moved that the foregoing appointments be approved. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 156:

H.F. No. 156 : A bill for an act relating to state government; secretary of state; regulating filing fees and procedures; amending Minnesota Statutes 1996, sections 5.12; 5.23; 5.25, subdivision 1; 5A.03; 5A.04; 302A.821, subdivision 5; 303.14, subdivision 1; 308A.005, by adding a subdivision; 317A.821, subdivision 3; 317A.827, subdivision 1; 322A.03; 331A.02, subdivision 1; 336.9-403; 336.9-404; 336A.04, subdivision 4; and 514.08, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 5; repealing Minnesota Rules, part 3650.0030, subpart 8.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Slawik, Peterson and Gunther have been appointed as such committee on the part of the House.

House File No. 156 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 18, 1997

Mr. Ten Eyck moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 156, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Mrs. Scheid introduced--

S.F. No. 1923: A bill for an act proposing amendments to the Minnesota Constitution; article IV, sections 4, 12, 18, 20, and 23; providing for unicameral enactment of certain laws; changing the length of terms of senators and representatives; reducing the size of the legislature; amending Minnesota Statutes 1996, section 2.021.

Referred to the Committee on Election Laws.

Ms. Runbeck introduced--

S.F. No. 1924: A bill for an act relating to lawful gambling; allowing expenditures of net profits contributed to a fund administered by a local unit of government to be expended for any public purpose; amending Minnesota Statutes 1996, section 349.213, subdivision 1.

Referred to the Committee on Local and Metropolitan Government.

Mr. Pogemiller introduced--

S.F. No. 1925: A bill for an act relating to general education; special programs; lifework development; education organization and cooperation; education excellence; nutrition and other education programs; nonfunding education policy issues; libraries; technology; state agencies; making conforming technical changes; appropriating money; amending Minnesota Statutes 1996, sections 12.21, subdivision 3; 120.062, subdivisions 3, 6, 7, 9, and 11; 120.064, subdivisions 3, 8, 10, 20a, and by adding a subdivision; 120.101, subdivision 5; 120.1701, subdivision 3; 120.181; 121.11, subdivisions 7c and 9; 121.15, subdivisions 6, 7, and by adding subdivisions; 121.602, subdivisions 1, 2, and 4; 121.611; 121.615, subdivisions 2, 3, 5, 6, 7, 8, 9, and 10; 121.703, subdivision 3; 121.904, subdivision 4a; 121.932, by adding a subdivision; 123.35, subdivision 8, and by adding a subdivision; 123.3514, subdivisions 4, 4a, 4e, 6, 6c, 8, and by adding subdivisions; 123.39, subdivision 6; 123.70, subdivisions 5, 7, and 10; 123.799, subdivision 1; 123.7991, subdivisions 1 and 2; 123.951; 123.972, subdivision 5; 124.08; 124.17, subdivisions 1d, 4, and by adding a subdivision; 124.193; 124.195, subdivisions 2, 7, 10, 11, and by adding a subdivision; 124.225, subdivisions 1, 13, 14, 15, 16, and 17; 124.226, subdivision 10; 124.2445; 124.2455; 124.248, subdivision 4, and by adding a subdivision; 124.26, subdivision 1b; 124.2613, subdivisions 3, 4, and 6; 124.2711, subdivision 2a; 124.2727, subdivision 6d; 124.273, subdivisions 1d, 1e, 1f, and 1g; 124.276, subdivision 3, and by adding a subdivision; 124.312, subdivisions 4 and 5; 124.313; 124.314, subdivisions 1 and 2; 124.3201, subdivisions 1, 2, 3, and 4; 124.323, subdivisions 1 and 2; 124.42, subdivision 4; 124.431, subdivision 11; 124.45; 124.48, subdivision 3; 124.481; 124.574, subdivisions 1, 2d, 2f, 5, 6, and 9; 124.83, subdivisions 1 and 2; 124.86, subdivision 2, and by adding a subdivision; 124.91, subdivisions 1 and 5; 124.912, subdivisions 1, 2, 3, and 6; 124.916, subdivisions 1, 2, and 3; 124.918, subdivision 6, and by adding a subdivision; 124.95, subdivision 2; 124A.02, subdivision 21; 124A.03, subdivisions 1c, 1f, 1g, and 3c; 124A.22, subdivisions 2, 3, 8a, 10, 11, 13, 13c, 13d, and by adding a subdivision; 124A.225, subdivision 1; 124A.23, subdivisions 1, 2, 3, and 5; 124A.26; 124A.28; 124C.45, subdivision 1a; 124C.46, subdivisions 1 and 2; 124C.498, subdivisions 1, 2, and 3; 125.05, subdivisions 1c and 2; 126.036; 126.037, subdivision 1; 126.113; 126.22, subdivisions 2, 3, and 3a; 126.23, subdivision 1; 126.531, subdivision 3; 127.26; 127.27, subdivisions 5, 6, 7, 8, 10, and by adding a subdivision; 127.281; 127.29; 127.30, subdivisions 1, 2, 3, and by adding a subdivision; 127.31, subdivisions 2, 7, 8, 13, 14, and 15; 127.311; 127.32; 127.33; 127.36; 127.37; 127.38; 128A.02, by adding a subdivision; 128C.02, subdivision 2, and by adding a subdivision; 128C.12, subdivision 1; 129C.10, subdivision 3; 134.155, subdivisions 2 and 3; 134.34, subdivision 4; 136D.72, subdivisions 2 and 3; 144.29; 169.01, subdivision 6; 169.21, subdivision 2; 169.435, subdivision 2; 169.443, subdivision 3; 169.444, subdivisions 2, 5, 6, 7, and by adding

a subdivision; 169.447, subdivision 6; 169.4501, subdivisions 1 and 2; 169.4502, subdivisions 2, 7, 9, 11, and by adding subdivisions; 169.4503, subdivisions 1, 2, 10, 13, 14, 17, 19, 23, 24, and by adding a subdivision; 169.4504, subdivision 1, and by adding a subdivision; 169.452; 171.321, subdivision 3; 171.3215, subdivision 4; 179A.03, subdivision 19; 245.493, subdivision 1; 245.91, subdivision 2; 260A.02, subdivision 3; and 268.665, subdivision 2; Laws 1991, chapter 265, article 1, section 30, as amended; Laws 1993, chapter 146, article 5, section 20; Laws 1994, chapter 647, article 7, section 18, subdivisions 2 and 3; Laws 1995, First Special Session chapter 3, articles 1, section 56; 2, section 52; 3, section 11, subdivisions 1, 2, and 5; 4, section 29, subdivision 8; 8, section 25, subdivision 12; 11, section 21, subdivision 3; and 12, section 7, subdivision 1; Laws 1996, chapters 412, article 4, section 34, subdivision 4; and 461, section 3, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 121; 124; 124A; 126; 127; 128C; 135A; and 290; repealing Minnesota Statutes 1996, sections 120.105; 120.65; 121.11, subdivision 8; 121.602, subdivisions 3 and 5; 121.904, subdivisions 4c and 4d; 121.912, subdivision 7; 124.155; 124.223; 124.225, subdivisions 3a, 7a, 7b, 7d, 7e, 8a, and 8k; 124.226; 124.2728; 124.276, subdivision 2; 124.312, subdivisions 4 and 5; 124.3201, subdivisions 2a and 2b; 124.912, subdivisions 2 and 3; 124A.02, subdivision 24; 124A.22, subdivisions 4, 4a, and 4b; 124A.26, subdivisions 1a, 2, 3, 4, and 5; 127.31, subdivision 6; 128B.10; 134.34, subdivision 4a; 134.46; 169.4502, subdivision 6; 169.4503, subdivisions 3, 8, 9, 11, 12, and 22; and 169.454, subdivision 11.

Referred to the Committee on Taxes.

MEMBERS EXCUSED

Messrs. Ourada and Pogemiller were excused from the Session of today from 9:00 to 9:40 a.m. Ms. Anderson was excused from the Session of today from 9:00 to 9:45 a.m. Ms. Kiscaden was excused from the Session of today from 9:00 to 10:05 a.m. Mr. Novak was excused from the Session of today from 9:00 to 10:30 a.m. Ms. Johnson, J.B. was excused from the Session of today from 9:30 to 9:40 a.m. Mr. Larson was excused from the Session of today from 10:30 to 11:00 a.m and 1:20 to 2:30 p.m. Ms. Olson was excused from the Session of today from 11:35 a.m. to 2:30 p.m. Ms. Junge was excused from the Session of today from 9:00 to 10:00 a.m. Ms. Runbeck was excused from the Session of today from 11:00 a.m. to 12:30 p.m. Messrs. Johnson, D.J. and Terwilliger were excused from the Session of today from 12:30 to 2:30 p.m. Mr. Johnson, D.H. was excused from the Session of today from 1:15 to 2:30 p.m. Messrs. Solon and Metzen were excused from the Session of today from 1:30 to 2:05 p.m. Mr. Oliver was excused from the Session of today from 11:30 a.m to 2:20 p.m. Mrs. Pariseau was excused from the Session of today from 11:00 a.m to 12:45 p.m. Mr. Laidig was excused from the Session of today from 9:00 to 9:30 a.m. Ms. Pappas was excused from the Session of today from 9:00 to 10:30 a.m. Mr. Lessard was excused from the Session of today from 1:00 to 1:30 p.m. Mr. Janezich was excused from the Session of today from 10:30 a.m. to 12:00 noon and 2:00 to 2:30 p.m.

ADJOURNMENT

Ms. Junge moved that the Senate do now adjourn until 10:30 a.m., Monday, April 21, 1997. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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INTRODUCTION AND FIRST READING OF SENATE BILLS

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